

A microscopic image showing the grain structure of a metal, with various sized grains and grain boundaries visible. The image is positioned on the left side of the cover, partially overlapping a blue geometric shape.

# ANNUAL REPORT 2020

**METALS**   
LIMITED

ABN 25 110 150 055



# CONTENTS

<b>CORPORATE DIRECTORY .....</b>	<b>1</b>
<b>CHAIRMAN'S LETTER .....</b>	<b>2</b>
<b>REVIEW OF OPERATIONS .....</b>	<b>3</b>
<b>DIRECTORS' REPORT .....</b>	<b>8</b>
<b>AUDITOR'S INDEPENDENCE DECLARATION.....</b>	<b>34</b>
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020 .....</b>	<b>35</b>
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020.....</b>	<b>36</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020 .....</b>	<b>37</b>
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020 .....</b>	<b>38</b>
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 .....</b>	<b>39</b>
<b>DIRECTORS' DECLARATION .....</b>	<b>89</b>
<b>INDEPENDENT AUDIT REPORT .....</b>	<b>90</b>
<b>TABLES OF MINERAL RESOURCES AND ORE RESERVES AS AT 30 JUNE 2020 .....</b>	<b>95</b>
<b>SECURITY HOLDER INFORMATION AS AT 1 SEPTEMBER 2020 .....</b>	<b>100</b>



# CORPORATE DIRECTORY

## DIRECTORS

Peter Gunzburg (Non-Executive Chairman)  
Brett Smith (Executive Director)  
Grahame White (Non-Executive Director)  
Patrick O'Connor (Non-Executive Director)  
Xingwang Bao (Non-Executive Director)

## COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Fiona Van Maanen

## KEY MANAGEMENT

Michael Spreadborough (Chief Executive Officer)  
Simon Rigby (Executive General Manager – Geology & Business Development)  
Stephen Robinson (Executive General Manager – Projects & Planning)

## REGISTERED OFFICE

Level 5, 197 St Georges Terrace  
Perth WA 6000  
Telephone: +61 8 9220 5700  
Email: [reception@metalsx.com.au](mailto:reception@metalsx.com.au)  
Web: [www.metalsx.com.au](http://www.metalsx.com.au)

## POSTAL ADDRESS

PO Box 7248  
Cloisters Square PO WA 6850

## SECURITIES EXCHANGE

Australian Securities Exchange Limited  
Level 40, Central Park  
152-158 St Georges Terrace  
Perth WA 6000  
ASX Code: MLX

## SHARE REGISTRY

Computershare Investor Services Pty Ltd  
Level 11, 172 St Georges Terrace  
Perth WA 6000  
GPO Box Melbourne VIC 3001  
Phone: (within Australia) 1300 850 505  
Phone: (outside Australia) +61 3 4915 4000  
Facsimile: +61 3 9473 2500

## DOMICILE AND COUNTRY OF INCORPORATION

Australia

# CHAIRMAN'S LETTER

Your Board is acutely aware that the last financial year has not been a rewarding one for shareholders.

We are in the process of reviewing all our operations with a view to cutting costs and establishing a cash flow positive Company.

To this aim we have refinanced the restrictive Citibank N.A. loan and have progressed a strategy to divest the copper assets.

The most pleasing aspect of the year was the substantial increase in ore reserves at our 50% owned Renison Tin operation.

Our hope is that with further exploration and development we can maintain a substantial, long term, and profitable operation at Renison. If this can be achieved it is hoped that it will form the backbone upon which we can re grow the Company and reward shareholders accordingly.

**Peter Gunzburg**  
Chairman



# REVIEW OF OPERATIONS

## TIN DIVISION

Metals X owns a 50% equity interest in the Renison Tin Operations in Tasmania through its 50% stake in the Bluestone Mines Tasmania Joint Venture, which comprise three key assets:

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

## RENISON TIN OPERATIONS (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 Renison strategy is focused on continuing to convert ongoing significant in-mine exploration success into a substantial long-life mining operation, to deliver higher cash margins through an increased mining rate, grade and recovery, whilst continuing to seek productivity improvements and reduce costs. MLX's tin exploration strategy is inclusive of investigation of near mine and regional targets.

Production from Renison for the period on a 100% basis, was 7,182 tonnes of tin (**Sn**) (2019: 7,124 tonnes) from ore mined of 848,909 tonnes at 1.18% Sn (2019: 797,980 tonnes at 1.21% Sn). Metals X's 50% share resulted in 3,412 tonnes of tin (2019: 3,445 tonnes) sold at an average realised price of A\$24,511/t (2019: A\$27,913/t) at an All-In Sustaining Cost of \$16,761/t (2019: \$17,417/t) with additional project capital and exploration costs of \$13.0M (2019: \$4.5M).

The following key focus areas that were advanced during the period:

- Substantial Ore Reserve upgrade with a 46% increase in contained tin metal;
- Measured and Indicated Resources increased by 12% after mining depletion;
- Grade control and resource definition drilling programs continued in the Leatherwood, Huon North and Area 5 regions, with a total of 140 holes for 9,027m being completed. Assay results from these drill programs continue to support and refine the resource models;
- The Area 5 Optimisation Study, in conjunction with an updated Renison Life of Mine (**LOM**) Plan, was completed extending the mine life to 10 years
- Continuation of the Metallurgical Improvement Program to increase mill throughput rate and metallurgical recovery. The program is being advanced through ongoing review and updating of control systems and online analytical infrastructure, and improved training and communication of standard operating parameters.
- Emanating from the work conducted on the options for choice of technology for the tin fuming with Rentails, an opportunity has been identified for a potential process change in the existing processing plant to produce a low-grade tin concentrate that is upgraded via a tin fumer to produce a high-grade product, together with an associated step change in tin recovery. A scoping study of the Renison Thermal Upgrade Project will progress into FY2021.

The Area 5 Study and 2020 LOM reported the following key results:

- Area 5 Ore Reserve declared of 3.30 Mt at 1.87% Sn for 61,900 tonnes of contained tin, with total Renison Ore Reserve increasing by 46% to 120,300 tonnes of contained tin.
- Mine life extended to 10 years incorporating:
  - Total of 9.27 Mt mined over ten years at an average 1.38% Sn for 128,000 tonnes of contained tin.
  - Grade profile increasing from 1.25% - 1.30% Sn in initial years to 1.4% - 1.5% Sn from FY25 onwards.
  - Production from the high-grade Area 5 contributes approximately 40% of total contained tin mined over the 10 year mine life.
  - Production increasing from first two years of 8,500 - 9,000 tonnes of tin per annum to over 10,000 tonnes of tin per annum from FY25.
  - Estimated production of approximately 98,000 tonnes of tin in concentrate over the ten year plan.

# REVIEW OF OPERATIONS (CONT.)

## TIN DIVISION (CONT.)

- Additional existing Mineral Resources and exploration upside provide clear scope for extending mine life beyond 10 years.
- Two-year Area 5 project capital investment of \$50M - \$55M into ventilation, backfill, electrical and pumping infrastructure, as well as additional mobile equipment together with additional asset integrity sustaining capital, is funded by operating cash flow based on modelled tin prices of A\$23,500 - A\$24,500 per tonne of tin.
- ASIC, initially \$19,000 - \$20,000 per tonne of tin during ramp-up, reducing to \$16,500 - \$17,500 per tonne of tin from FY25 when steady state production of over 10,000 tonnes of tin per annum is achieved.
- Total cash flow of \$300M, EBITDA of \$476M and net present value (8% discount rate) of \$185M (all Metals X's 50% share on a pre-tax, pre-debt basis) achieved at LOM average price of A\$24,800/t Sn.

## RENISON TAILINGS RETREATMENT (RENTAILS) PROJECT

The objective of the Rentails Project is to re-process the estimated 22.5 Mt of tailings at an average grade of 0.44% tin and 0.23% copper from the historical processing of tin ore. The current tailings dams have a Mineral Resource containing approximately 104,000 tonnes of tin and 53,000 tonnes of copper (refer to ASX announcement dated 30 January 2020).

## MT BISCHOFF PROJECT

The Mt Bischoff Project is located approximately 80km north of the Renison mine. The project was placed on care and maintenance in 2010.

During the period there was a review of the environmental obligations associated with the Mt Bischoff Project, which resulted in an increase in the Consolidated Entity's 50% share in the provision for rehabilitation to \$8,710,000 (2019: \$350,000). The majority of the Consolidated Entity's 50% share of the rehabilitation expenditure will be incurred in the first six years (\$8,094,000) with the remaining incurred over the ensuing eight years during the monitoring phase (\$616,000).

## COPPER DIVISION

The Copper Division holds three key assets:

1. Nifty Copper Operation;
2. Maroochydore Copper Project; and
3. Paterson Exploration project.

On 2 July 2020 the Company announced that the Board has resolved to seek offers for the proposed sale of its entire copper asset portfolio, including the Nifty, Maroochydore and exploration tenure (together Copper **Assets**). In seeking a sale of the Copper Assets, the Company will endeavour to leverage the significant value that has been added through completion of the Scoping Study and execution of the Farm-in Agreement.

There is no certainty that a transaction will be entered into or completed.

## NIFTY COPPER OPERATION

The Nifty Copper Operation (Nifty) comprise an underground mine, with an associated 3.2Mtpa copper concentrator, a 21MW gas turbine power station, full heavy vehicle workshops, administration buildings, a 500-person accommodation village and an airport capable of handling commercial scale jet aircraft.

Metals X operated Nifty, producing copper concentrate, from its acquisition in August 2016 until November 2019 when the Company suspended mining operations (refer to ASX Announcement of 26 November 2019) and placed the mine into care and maintenance (C&M). A final concentrate shipment was made in December 2019 of 7,658t of concentrate containing 2,090t of copper.

The decision to suspend operations was made following an operational review in November 2019. The review confirmed that the Company was unlikely to achieve its planned production at Nifty at an acceptable operating cost within the previously expected timeframe. On that basis, the Board considered that continuing operations at Nifty was not in the best interests of shareholders.

## **COPPER DIVISION (CONT.)**

As a result of the suspension of operations the Company completed a recoverable amount assessment that resulted in an impairment of Nifty of \$15,363,000 (refer to note 39).

On 22 January 2020, the Company announced that it had commenced a strategic review of its Copper Assets which included Nifty, Maroochydore and the surrounding exploration tenure. The strategic review was to explore various options for the Copper Assets including joint arrangements and the partial or complete divestment of some or all of the assets.

During the strategic review process the Company completed a Scoping Study at Nifty that returned positive results on mining the large copper sulphide resource through a major expansion to the historical oxide open pit, using the existing processing plant and site infrastructure. Also a Scoping Study was completed on the option of a recommencement of heap leach Solvent Extraction/Electrowinning (SX/EW) operations at Nifty that supported further evaluation in conjunction with potential open pit mining.

The Scoping Study reported the following key results:

- 10-year open pit life providing approximately 23 Mt of sulphide feed to the existing concentrator, at an estimated average grade of 1.24% copper, with a waste-to-ore strip ratio of approximately 7.6:1.
- 250,000 - 270,000 tonnes of copper in concentrate at an average annual production rate of approximately 26,000 tonnes of copper in concentrate.
- All-in sustaining cost of approximately A\$5,400 - A\$5,800 per tonne of copper produced (US\$1.67 - US\$1.79/lb) from the open pit sulphide operation. Treatment and refining costs are approximately A\$960 per tonne of copper sold (US\$0.30/lb).
- Estimated pre-production capital for the open pit sulphide operation of \$40M - \$60M including studies, pre-production drilling, concentrator and infrastructure refurbishment, open pit pre-strip, and commissioning.
- At the assumed long term copper price of A\$8,500 per tonne (US\$2.62/lb), total pre-tax net cash flow of \$405M - \$435M, pre-tax net present value (10% discount rate) of \$170M - \$190M and a pre-tax internal rate of return of 50% – 54% for the open pit sulphide operation.
- Opportunity to recommission the existing heap leach SX/EW facility to treat oxide ore mined from the open pit as well as reprocessing of the existing leach pads, to produce an additional estimated total 40,000 – 50,000 tonnes of copper as cathode over eight years.

During care and maintenance and the strategic review process, surface infrastructure including the power station, processing plant and camp are being maintained in a production-ready status to protect the value of Nifty.

## **MAROOCHYDORE COPPER PROJECT**

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

Since acquisition, the Company has completed a number of drilling geophysical programmes at Maroochydore, with work focusing on developing additional metallurgical testwork programs. Metallurgical domaining of the orebody has been completed. However, the area is sparsely drilled and inadequately defined, with primary copper sulphide mineralisation remaining open along-strike and down-dip.

## **PATERSON EXPLORATION PROJECT**

The Copper Division holds approximately 2,950km<sup>2</sup> of mineral licences within the highly prospective, and in the wake of recent new copper-gold discoveries by Rio Tinto and the Newcrest Mining/Greatland Gold JV, highly sought after, Paterson Province of Western Australia. Metals X is the third largest ground holder in the Paterson Province.

Metals X has defined over 30 regional exploration targets within the currently granted exploration tenure which warrant further investigation. In addition to copper, the tenure package also has substantial lead, zinc and manganese potential

# REVIEW OF OPERATIONS (CONT.)

## COPPER DIVISION (CONT.)

As a result of the strategic review, on 11 June 2020 the Company announced that it had signed a binding Farm-in and Joint Venture Term Sheet with IGO Limited (**IGO**) on the Company's Paterson Exploration Project. Under the agreement IGO must spend \$32M on mineral exploration over 6.5 years to earn a 70% interest, with a minimum commitment of \$11M over the initial 3.5 years. The Company will be free-carried to the completion of a Pre-feasibility Study on a new mineral discovery.

## NICKEL DIVISION

The Wingellina Nickel-Cobalt Project is part of Metals X's Central Musgrave Project which remains one of the largest undeveloped nickel-cobalt deposits in the world. The Central Musgrave Project has a Mineral Resource containing approximately 2.0 Mt of nickel and 154,000t of cobalt within which Wingellina hosts an Ore Reserve of approximately 1.56Mt of nickel and 123,000t of cobalt (refer to the 2019 Annual Report).

In 2008 the Company completed a feasibility study (+/-25%) and signed an agreement with the Traditional Owners in 2010, which provides consent to undertake mining activities. In November 2016, the Company received its Public Environment Review approval from the Environmental Protection Authority.

At Wingellina, 15 potential high-grade nickel-cobalt open pits have been delineated as potential starter pits, of which six were successfully infill-drilled during 2017-18. During the period a further drilling program was completed on two additional potential starter pits, successfully confirming the high-grade nickel-cobalt domains.

In May 2020, the Company commenced a strategic review of the options to advance the project and engaged a consulting group, CSA Global, to assist with the study. The scope of works included a business environment review of global lateritic nickel mines and development projects along with a gap analysis in relation to the completed 2008 Phase 1 Feasibility Study.

As a world-class project, with the potential 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.

## CORPORATE

### SHARE PLACEMENT

On 19 September 2019, the Company completed a capital raising of \$24,642,181 (before costs) via a placement and accelerated non-renounceable rights entitlement offer by issuing 164,281,206 fully paid ordinary shares at an issue price of \$0.15 per share to institutional and professional investors.

On 10 October 2019, the Company completed a capital raising of \$8,088,651 (before costs) via a non-renounceable rights entitlement offer by issuing 53,924,352 fully paid ordinary shares at an issue price of \$0.15 per share to retail investors.

### CITI FINANCE FACILITY

On 29 August 2019, the Company entered into a finance facility with Citibank N.A. (**Citi**) for a \$35,000,000 secured term loan facility (**Citi Facility**) through the Company's 100%-owned subsidiary Bluestone Mines Tasmania Pty Ltd. The Citi Facility was fully utilized and the principal outstanding at 30 June 2020 was \$30,462,000. Refer to note 25 for the key terms of the Citi Facility

Under the Citi Facility the Company was required to remain within certain financial covenants which were measured for compliance at the end of each calendar quarter. For the quarter ending 30 June 2020 the Company did not meet the Forecast Cash Flow Cover Ratio (**Forecast CFCR**) nor the Forward Debt Service Cover Ratio (**Forecast DSCR**). The principal reason for the Forecast CFCR and the Forward DSCR were not met was the decision to proceed with the Area 5 development with its capital expenditure for the Consolidated Entity's 50% share being \$25 – \$27.5 million over the next two years.

## CORPORATE (CONT.)

On 27 July 2020, the Company entered into a loan facility with Asia Cheer Trading Limited (**ACT**) for a \$26,000,000 unsecured term loan facility (**ACT Loan**) ending on 31 January 2021. The funds from the ACT Loan were to be applied to the repayment of the amount outstanding pursuant to the Citi Facility. Drawdown of the ACT Facility was subject to the contemporaneous close out of the Citi Facility (refer to note 40). A further condition of the ACT Loan is that the net proceeds from the sale of the Copper Assets or any capital raising undertaken by the Company during the loan term must be paid to the lender in permanent reduction of the principal amount.

On 31 July 2020, the Company settled the Citi Facility in full by repaying the outstanding principal and accrued interest of \$30,556,000.

On 21 August 2020, ACT provided the Company with a waiver of the mandatory repayment of the loan from the sale of the Copper Assets or any capital raising undertaken by the Company if required to assist with management of working capital. On 31 August 2020, ACT advised the Company that if required, the ACT Loan will be amended to increase the commitment by \$5,000,000 to \$31,000,000 and extend the repayment date to 31 July 2021. If the amendments are required the Company is to provide ACT with a formal written notice prior to 31 October 2020.

During the period, in conjunction with the Citi Facility the Company entered into forward commodity contracts relating to 3,310 tonnes of tin at an average price of \$25,000 per tonne of tin. At the end of the period, there were outstanding contracts for 2,010 tonnes of tin at an average price of \$24,911 per tonne of tin.

In July 2020 in conjunction with the repayment of the Citi Facility the remaining forward commodity contracts were closed out in full.

## DEED OF REVOCATION COPPER DIVISION

On 26 March 2020 the Company lodged a Deed of Revocation with ASIC to remove the Paterson Copper Pty Ltd group of companies (**Copper Entities**) from the Metals X Deed of Cross Guarantee. The Company has followed all ASIC procedures in relation to the Deed of Revocation and the Copper Entities will be released from the Metals X Deed of Guarantee on 30 September 2020.

# DIRECTORS' REPORT

The Directors submit their report together with the financial and annual report of Metals X Limited and of the Consolidated Entity, being the Company and its controlled entities, for the year ended 30 June 2020.

## DIRECTORS

The names and particulars of the Company's Directors during the financial period and until the date of this report are as follows.

NAME	PARTICULARS
<b>Peter Gunzburg</b> B.Com Appointed 10 July 2020	<b>Non-Executive Chairman (Independent)</b> Mr Gunzburg has over 40 years' experience acting as a public company director, stockbroker and investor. Mr Gunzburg has previously been a director of Resolute Ltd, Australian Stock Exchange Ltd, Eyres Reed Ltd, CIBC World Markets Australia Ltd and Fleetwood Corporation Ltd.
	<b>Special responsibilities</b> Chairman of the Board, Chairman of the Remuneration and Nominations Committee and member of the Audit and Risk committee.
	<b>Other current directorships</b> None.
	<b>Former directorships in last three years</b> BARD1 Life Sciences Limited (2001 - 2020).
<b>Brett Smith</b> B.Eng Hons (Chem), MBA, MA Appointed Non-Executive Director 2 December 2019 Appointed Executive Director 10 July 2020	<b>Executive Director</b> Mr. Smith has participated in the development of a number of mining and mineral processing projects including coal, iron ore, base and precious metals. He has also managed engineering and construction companies in Australia and internationally. Mr. Smith has served on the board of private and listed mining and exploration companies and has over 32 years international experience in the engineering and construction of mineral processing operations. Mr. Smith is Executive Director and Deputy Chairman of Hong Kong listed company APAC Resources Limited, Executive Director of Hong Kong listed company Dragon Mining Limited and a Non-Executive Director of ASX listed companies Prodigy Gold NL, Elementos NL and Tanami Gold NL.
	<b>Special responsibilities</b> None.
	<b>Other current directorships</b> Elementos Limited (appointed 24 January 2020). Tanami Gold NL (appointed 27 November 2018). APAC Resources Limited – HK (appointed 18 May 2016). Prodigy Gold NL (appointed 9 May 2016). Dragon Mining Limited – HK (appointed 7 February 2014).
	<b>Former directorships in last three years</b> None.

NAME	PARTICULARS
<b>Grahame White</b> B.Eng, MAICD  Appointed 10 July 2020	<b>Non-Executive Director (Independent)</b> Mr White is a construction and mining executive with comprehensive experience in Australia and Asia. Mr White has held numerous executive management positions in the resources sector and recently served on the boards of Central West Rural, Forge Group Limited and the Queensland Resource Council.
	<b>Special responsibilities</b> Chairman of the Audit and Risk Committee and member of the Remuneration and Nominations Committee.
	<b>Other current directorships</b> None.
	<b>Former directorships in last three years</b> None.
<b>Patrick O'Connor</b> B.Com FAICD  Appointed Non-Executive Director 24 October 2019  Appointed Chairman 3 December 2019  Appointed Executive Chairman 17 December 2019  Reverted to Non-Executive Director 10 July 2020	<b>Non-Executive Director (Independent)</b> Mr O'Connor has significant experience as an independent Non-Executive Director and as a Chief Executive Officer. His experience spans across mining (gold, copper, lead, zinc and coal), oil & gas exploration, biotechnology and government utility sectors. Mr O'Connor was previously a Non-Executive Director of Stanmore Coal Ltd. In addition, he has held the roles of Deputy Chairman and Chairman of Perilya Ltd, the operator of the Broken Hill mine in NSW Australia, prior to its takeover and delisting from the ASX. Mr O'Connor spent nine years as a director of the Water Corporation in WA including four years as its Chairman. Mr O'Connor was also the Chief Executive Officer for OceanaGold Corporation at the time of its listing on the ASX and remained for a period as a Non-Executive Director. Prior to OceanaGold, Mr O'Connor was Managing Director of Macraes Mining Co Ltd for nine years.
	<b>Special responsibilities</b> Chairman of the Board (3 December 2019 – 10 July 2020), Chairman of the Remuneration and Nominations Committee (24 October 2019 – 10 July 2020) thereafter member of the Remuneration and Nominations Committee and member of the Audit and Risk Committee.
	<b>Other current directorships</b> None.
	<b>Former directorships in last three years</b> Stanmore Coal Limited (2014 – 2018). Tech Mpire Limited (2016 – 2017).
<b>Xingwang (Simon) Bao</b> B.Sc (Mineral Processing)  Appointed 10 January 2020	<b>Non-Executive Director</b> Mr Bao is the Vice General Manager for Jinchuan Marketing Co. Mr Bao has worked for Jinchuan since 2005 and has extensive experience in the mining industry. Mr Bao holds a Bachelor in Mineral Processing from Central South University and a Master's Degree in Applied Chemistry from East China University of Science and Technology.
	<b>Special responsibilities</b> None.
	<b>Other current directorships</b> None.
	<b>Former directorships in last three years</b> None.

NAME	PARTICULARS
<b>Brett Lambert</b> B.AppSc (Mining Engineering), MAICD Appointed 24 October 2019 Resigned 10 July 2020	<p><b>Non-Executive Director (Independent)</b></p> <p>Mr Lambert is a mining engineer and experienced company director with over 35 years of involvement in the Australian and international resource industry, encompassing operations, project development, business development and corporate administration.</p> <p>Mr Lambert has more than 10 years' experience leading public companies as Managing Director/CEO and has served on the boards of companies listed on the ASX, TSX, AIM and SET (Thailand). Mr Lambert is currently the Non-Executive Chairman of Mincor Resources Ltd, Non-Executive Director of Australian Potash Ltd and was formerly the CEO/Managing Director of ABM Resources NL, Bullabulling Gold Ltd, Thundelarra Exploration Ltd and Intrepid Mines Ltd.</p> <p>Mr Lambert has been responsible for evaluating, developing and funding several new resource projects. He has been directly involved in a number of transactions at both asset and corporate level.</p> <p><b>Special responsibilities</b></p> <p>Was Chairman of the Audit and Risk Committee (24 October 2019 – 10 July 2020) and was a member of the Remuneration and Nominations Committee (24 October 2019 – 10 July 2020).</p> <p><b>Other current directorships</b></p> <p>Mincor Resources Limited (appointed 1 January 2017).  Australian Potash Limited (appointed 9 May 2017).  Saturn Metals Limited (appointed 9 April 2020).</p> <p><b>Former directorships in last three years</b></p> <p>Tao Commodities Limited (2017).  De Grey Mining Limited (2017 – 2019).</p>
<b>Anthony Polglase</b> B.Eng (Hons) 1st Class, ACSM Appointed 24 October 2019 Resigned 10 July 2020	<p><b>Non-Executive Director (Independent)</b></p> <p>Mr Polglase has more than 40 years of multi-disciplined mining experience across ten different countries and is qualified in mechanical and electrical engineering with an Honours degree in Metallurgy.</p> <p>Mr Polglase has deep experience in the development and operation of gold, copper, lead, zinc and tin projects, having been responsible for, or closely involved with, the commissioning of more than seven mining projects.</p> <p>Most recently Mr Polglase was a driving force behind Avanco Resources Ltd, which transitioned from explorer to developer to producer after discovering one of the world's highest grade open pit copper deposits in Brazil. Under Mr Polglase's guidance Avanco went on to build the Antas copper mine on-time and on-budget. Avanco was acquired in 2018 by OZ Minerals for approximately \$430M representing a 130% premium to the share price and a 100 fold increase in market capitalisation of Avanco since its IPO. Mr Polglase's specific copper and tin experience extends approximately 15 years and 10 years respectively in both open-pit and underground mines, and across operational and maintenance disciplines.</p> <p><b>Special responsibilities</b></p> <p>Was a member of the Audit and Risk Committee (24 October 2019 – 10 July 2020) and was a member of the Remuneration and Nominations Committee (24 October 2019 – 10 July 2020).</p> <p><b>Other current directorships</b></p> <p>Black Cat Syndicate Limited (appointed 25 May 2020).  New World Resources Limited (appointed 17 October 2019).</p> <p><b>Former directorships in last three years</b></p> <p>None.</p>

NAME	PARTICULARS
<b>Yimin Zhang</b> Diploma (Metallurgy and Architecture) Appointed 9 January 2017 Resigned 10 January 2020	<b>Non-Executive Director</b> Mr Zhang is the Chief Representative for Jinchuan Australia and is also an Executive Director of Sino Nickel Pty Limited. Mr Zhang has worked for Jinchuan since 1981 and has been posted to several overseas positions to which he has been involved in numerous Jinchuan co-operative ventures. Mr Zhang holds a Diploma from the Metallurgical and Architectural Institute of Chang Chun. Mr Zhang served as an Alternative Non-Executive Director for Mr Xie Penggen until 9 January 2017, at that time Mr Zhang was appointed a Non-Executive Director of the Company.
	<b>Special responsibilities</b> None.
	<b>Other current directorships</b> None.
	<b>Former directorships in last three years</b> None.
<b>Simon Heggen</b> B.Econ, LL.B Appointed 25 October 2012 Appointed Non-Executive Chairman 24 October 2019 Resigned 2 December 2019	<b>Non-Executive Director (Independent)</b> Mr Heggen holds a Bachelor of Economics and a Bachelor of Laws Degrees from the Australian National University and has around 30 years proven experience in strategic planning, corporate development, M&A and corporate finance within the Resources sector.
	<b>Special responsibilities</b> Was Chairman of the Audit and Risk Committee (1 July 2019 – 3 December 2019) and was a member of the Remuneration and Nominations Committee (1 July 2019 – 2 December 2019).
	<b>Other current directorships</b> None.
	<b>Former directorships in last three years</b> None.
<b>Milan Jerkovic</b> B.AppSC (Geology, Diploma (Mineral Economics), and Diploma (Mining) Appointed 1 May 2017 Resigned 30 August 2019	<b>Non-Executive Director (Independent)</b> Mr Jerkovic has over 30 years of experience in the mining industry involving resource evaluation, operations, financing, acquisition, project development and general management. Mr Jerkovic is a Geologist with post graduate qualifications in Mineral Economics and Mining, is a Fellow of the Australian Institute of Mining and Metallurgy and a member of the Australasian Institute of Company Directors. He was previously the CEO of Straits Resources Limited and was the founding Chairman of Straits Asia Resources Limited which was listed on the Singapore Stock Exchange. Mr Jerkovic has also held positions with WMC, BHP, Nord Pacific, Hargraves, and Tritton. Mr Jerkovic is currently Chairman of both Geopacific Resources Limited and Blackham Resources Limited. Mr Jerkovic also serves on the Company's Audit and Remuneration & Nomination Committees.
	<b>Special responsibilities</b> Was a member of the Remuneration and Nominations Committee (1 July 2019 – 30 August 2019) and was a member of the Audit and Risk Committee (1 July 2019 – 30 August 2019).
	<b>Other current directorships</b> Blackham Resources Limited.
	<b>Former directorships in last three years</b> Geopacific Resources Limited (2013 – 2019).

NAME	PARTICULARS
<b>Peter Newton</b> Appointed Non-Executive Chairman 14 December 2012  Resigned 2 December 2019	<b>Non-Executive Chairman (Independent)</b> Mr Newton was a stockbroker for 25 years until 1994. Since then he has been a significant participant in the Australian resource industry as an investor and a director of a number of listed companies. In past years, he has been the Chairman of both Hill 50 Limited and Abelle Limited. <b>Special responsibilities</b> Was Chairman of the Remuneration and Nominations Committee (1 July 2019 to 24 October 2019) and was a member of the Audit and Risk Committee (1 July 2019 to 24 October 2019). <b>Other current directorships</b> None. <b>Former directorships in last three years</b> Westgold Resources Limited (2016 – 2019)
<b>Damien Marantelli</b> Diploma (Mining Engineering)  Appointed Non-Executive Director 3 September 2018  Appointed Managing Director 12 November 2018  Resigned Managing Director 2 December 2019  Resigned Chief Executive Officer 1 March 2020	<b>Managing Director</b> Mr Marantelli has a Diploma of Mining Engineering from the Royal Melbourne Institute of Technology and extensive worldwide operational experience spanning almost 40 years in the industry. During the past 18 years, Mr Marantelli has had General Manager or Chief Operating Officer accountability for open pit and underground mines in Australia, Turkey, Spain, Zambia, Canada and Mexico. This includes exposure to bulk materials, base metals and precious metals as well as overall exploration and brownfields project management at those operations. <b>Special responsibilities</b> None. <b>Other current directorships</b> None. <b>Former directorships in last three years</b> None.

## INTERESTS IN THE SHARES OF THE COMPANY

As at the date of this report, the interests of the Directors in the shares and options of Metals X Limited were:

Director	Fully Paid Ordinary Shares	Options
Peter Gunzburg	-	-
Brett Smith	160,000	-
Patrick O'Connor	1,000,000	-
Grahame White	-	-
Xingwang Bao	-	-
<b>Total</b>	<b>1,160,000</b>	<b>-</b>

## COMPANY SECRETARY

**Fiona Van Maanen** – Chief Financial Officer and Company Secretary

Mrs Van Maanen is a CPA, holds a Bachelor of Business (Accounting) degree and a Graduate Diploma in Company Secretarial Practice. Mrs Van Maanen has significant experience in accounting and financial management in the mining and resources industry.

## PRINCIPAL ACTIVITIES

The principal activities during the year of the Consolidated Entity were:

- operation of tin and copper mines in Australia; and
- exploration and development of base metals projects in Australia.

## EMPLOYEES

The Consolidated Entity had 175 employees at 30 June 2020 (2019: 467).

## DIVIDENDS

No dividends were paid during the period to members in respect to the 2019 financial year.

The Directors do not propose to pay any dividend for the financial year ended 30 June 2020.

Refer to note 10 for available franking credits.

## SHARE OPTIONS

### Unissued shares

As at the date of this report, there were 11,984,332 ordinary shares under options, refer to note 31.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

### Shares issued as a result of exercising options

There were no options converted to shares during the financial year refer to note 31 for further details.

## RESULTS OF OPERATIONS

Details	30 June 2020	30 June 2019
	<b>\$'000</b>	<b>\$'000</b>
Consolidated total loss after income tax	80,340	116,969
Total consolidated revenue	143,449	204,722
Total cost of sales	166,170	238,147
Impairment losses	15,363	64,200
Exploration and evaluation expenditure write off	105	6,570
Cash flows used operating activities	21,043	15,161
Cash flows used in investing activities	32,080	46,310
Cash flows from financing activities	55,854	41,600

## KEY RESULTS FOR THE PERIOD ARE

### CAPITAL INVESTMENT ACTIVITIES

Cash flows used in investing activities was \$32,080,000, which was lower than the previous period (2019: \$46,310,000), mainly due to the large amount of capital expenditure at Nifty in the previous period. Capital re-investment during the period:

- Tin Division \$13,750,000 (2019: \$9,034,000), expenditure was higher than the previous period due plant and equipment upgrades, the metallurgical improvement program and the commencement of development of the Area 5 mining zone;
- Copper Division \$ 16,461,000 (2019: \$40,499,000), expenditure was lower than the previous period due to the suspension of operations in November 2019 and subsequently being placed on care and maintenance; and
- Nickel Division \$ 1,340,000 (2019: \$1,188,000).

## RESULTS OF OPERATIONS (CONT.)

### TIN DIVISION

- Revenue from the 50% owned Renison was \$73,243,000 (2019: \$85,276,000). The revenue was lower than the previous year as a result of lower tin prices.
- The cost of sales was \$70,329,000 (2019: \$78,580,000). The costs were higher in the previous period due to the drawdown of the large low grade ore stockpile developed prior to the construction of the ore sorter in 2019.
- During the period there was a review of the environmental obligations associated with the Mt Bischoff Project, which resulted in an increase in the Consolidated Entity's 50% share in the provision for rehabilitation of \$8,360,000 (2019: Nil) to \$8,710,000 (2019: \$350,000) (refer to note 24).

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

		30 June 2020	30 June 2019
<b>Physical Summary</b>	<b>Units</b>		
UG Ore Mined	t	424,454	398,990
UG Grade Mined	% Sn	1.18%	1.21%
Ore Processed	t	344,591	372,592
Head Grade	% Sn	1.42%	1.32%
Recovery	% Sn	73.56%	72.36%
Tin Produced	t	3,591	3,562
Tin Sold	t	3,412	3,445
Tin Price	A\$/t	24,511	27,913
Realised Tin Price (net of Tc/Rc charges)	A\$/t	21,466	24,754
Tin Sales Revenue (net of Tc/Rc charges)	A\$'000	73,243	85,276
<b>Cost Summary</b>			
Mining	A\$'000	27,988	23,68
Processing	A\$'000	23,218	19,967
Administration	A\$'000	4,838	4,289
Stockpile Adj	A\$'000	431	3,321
<b>C1 Cash Cost</b>	<b>A\$'000</b>	<b>56,475</b>	<b>51,259</b>
<b>Cost per tonne produced</b>	<b>A\$/t</b>	<b>15,729</b>	<b>14,391</b>
Royalties	A\$'000	1,522	2,126
Other Marketing Costs	A\$'000	542	457
Sustaining Capital	A\$'000	1,369	8,078
Reclamation & other adj.	A\$'000	27	18
Corporate Costs	A\$'000	104	101
<b>All-in Sustaining Costs</b>	<b>A\$'000</b>	<b>60,039</b>	<b>62,039</b>
<b>Cost per tonne produced</b>	<b>A\$/t</b>	<b>16,721</b>	<b>17,417</b>
Project Startup Capital	A\$'000	12,869	4,228
Exploration Holding Cost	A\$'000	124	228
<b>All-in Cost</b>	<b>A\$'000</b>	<b>73,032</b>	<b>66,496</b>
<b>Cost per tonne produced</b>	<b>A\$/t</b>	<b>20,340</b>	<b>18,668</b>
<b>Reconciliation to cost of sales</b>			
<b>All-in Sustaining Costs</b>	<b>A\$'000</b>	<b>60,039</b>	<b>62,039</b>
Sustaining Capital	A\$'000	(1,369)	(8,078)
Depreciation and amortisation	A\$'000	13,663	14,758
Inventory movements and other adjustments	A\$'000	(2,004)	9,861
<b>Cost of sales</b>	<b>A\$'000</b>	<b>70,329</b>	<b>78,580</b>

\* 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.

## COPPER DIVISION

- On 26 November 2019 the Company suspended mining operations at Nifty and subsequently placed the mine into care and maintenance. During the period the Company incurred care and maintenance costs of \$24,744,000 (2019: Nil), which included costs of placing the operation into suspension of \$10,120,000 (2019: Nil).
- During the period, an impairment assessment of Nifty was conducted which resulted in an impairment loss of \$15,363,000 (2019: \$64,200,000) (refer to note 39).
- Revenue from Nifty was \$70,206,000 (2019: \$119,446,000).
- The cost of sales was \$95,840,000 (2019: \$159,567,000).

Performance of the Copper Division is summarised below:

		30 June 2020	30 June 2019
<b>Physical Summary</b>	<b>Units</b>		
UG Ore Mined	t	409,653	1,321,032
UG Grade Mined	% Cu	1.30	1.43
Ore Processed	t	476,007	1,254,879
Head Grade	% Cu	1.33	1.45
Recovery	% Cu	91.79	92.58
Copper Produced	t	6,023	16,913
Copper Sold	t	9,095	15,776
Copper Price	A\$/t	8,511	8,579
Realised Copper Price (net of Tc/Rc charges)	A\$/t	7,677	7,571
Copper Sales Revenue (net of Tc/Rc charges)	A\$'000	70,206	119,446
<b>Cost Summary</b>			
Mining	A\$'000	36,118	75,472
Processing	A\$'000	12,994	43,449
Admin	A\$'000	7,556	18,735
Stockpile Adj	A\$'000	25,314	(5,699)
<b>C1 Cash Cost (produced t) *</b>	<b>A\$'000</b>	<b>81,982</b>	<b>131,957</b>
<b>Cost per tonne produced</b>	<b>A\$/t</b>	<b>13,612</b>	<b>7,802</b>
Royalties	A\$'000	2,307	6,498
Other Marketing Costs	A\$'000	2,316	7,290
Sustaining Capital	A\$'000	5,617	19,630
Reclamation & other adj.	A\$'000	(19)	70
Corporate Costs	A\$'000	466	934
<b>All-in Sustaining Costs **</b>	<b>A\$'000</b>	<b>92,669</b>	<b>166,380</b>
<b>Cost per tonne produced</b>	<b>A\$/t</b>	<b>15,387</b>	<b>9,838</b>
Project Startup Capital	A\$'000	12,853	18,819
Exploration Holding Cost	A\$'000	1,622	3,326
Care and Maintenance Costs	A\$'000	24,744	-
<b>All-in Cost ***</b>	<b>A\$'000</b>	<b>131,889</b>	<b>188,525</b>
<b>Cost per tonne produced</b>	<b>A\$/t</b>	<b>21,899</b>	<b>11,147</b>
<b>Reconciliation to cost of sales</b>			
<b>All-in Sustaining Costs</b>	<b>A\$'000</b>	<b>92,669</b>	<b>166,380</b>
Sustaining Capital	A\$'000	(5,617)	(19,630)
Depreciation and amortisation	A\$'000	6,641	20,134
Inventory movements and other adjustments	A\$'000	2,147	(7,317)
<b>Cost of sales</b>	<b>A\$'000</b>	<b>95,840</b>	<b>159,567</b>

## RESULTS OF OPERATIONS (CONT.)

### IMPACT OF COVID-19

The onset of the COVID-19 pandemic was rapid on both an operational and personal level for employees, the Company, our stakeholders and the communities within which Metals X operates.

Metals X took immediate action to protect the integrity of the Company's business interests and the safety and well-being of its employees and stakeholders.

Prompt implementation and affirmative compliance with government and health bodies forced quick change to operating processes.

Metals X operates a number of isolated and remote mining areas and fortunately with the positive protection measures and support of governments and employees all of our projects continued to function close to normal levels. Although travel restrictions, social distancing and isolation practices had some impacts on the Consolidated Entity. The demographic regions of our remote workforce required changes to rosters and transport to comply with Government restrictions. The closure of borders required immediate action to manage the impact on outputs, inputs, employees and communities that Metals X operates in.

Social and mental health impact were a possible outcome from roster changes, changed travel, commuting, dining and enhanced hygiene practices. The Company has taken a considerate approach to the hidden consequences of such changes and continues to work with its employees to lessen the impact. The over-arching objective of the Consolidated Entity has been to keep all its employees and stakeholders safe and free from infection and/or spread, and importantly to keep people employed during these uncertain times.

The net impact on the Consolidated Entity's output has been minimal and estimated at less than 1%. Cost impacts as a result of changed practices are estimated to be minor at less than 1%.

### REVIEW OF OPERATIONS

A full review of the operations of the Consolidated Entity during the year ended 30 June 2020 is set out on page 3 of this report.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity decreased by 49% (\$49,803,000) to \$51,791,000 (2019: \$101,593,000). The decrease was mainly due to asset impairments (\$15,363,000), Nifty care and maintenance costs (\$24,744,000), Mt Bischoff rehabilitation costs (\$8,360,000) and operating losses and administration expenses (\$29,830,000), which was offset by a capital raise of \$30,401,000 (after costs) in September and October 2019.

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

#### ASIA CHEER FINANCE FACILITY

On 27 July 2020, the Company entered into a loan facility with Asia Cheer Trading Limited (**ACT**) for a \$26,000,000 unsecured term loan facility (**ACT Loan**). The funds from the ACT Loan were to be applied to the repayment of the amount outstanding pursuant to the Citi Facility. Draw down of the ACT Loan was subject to the contemporaneous close out of the Citi Facility. The Loan was fully drawn down on 31 July 2020.

The key terms of the Loan are as follows:

Loan term:	Until 31 January 2021
Interest and charges:	Establishment fee of 3.5%. Interest rate is BBSY plus 1.0%, approximate total rate of 4.5%.
Key terms:	The net proceeds from the sale of Nifty or any capital raising undertaken by the Company during the loan term must be paid to the lender in permanent reduction of the Principal Amount.

#### CITI FINANCE FACILITY REPAYMENT

Under the Citi Facility the Company was required to remain within certain financial covenants which are measured for compliance at the end of each calendar quarter. For the quarter ending 30 June 2020 the Company did not meet the Forecast Cash Flow Cover Ratio (**Forecast CFCR**) nor the Forward Debt Service Cover Ratio (**Forecast DSCR**). The principal reason for the Forecast CFCR and the Forward DCR were not met was the decision to proceed with the Area 5 development with its capital expenditure for the Consolidated Entity's 50% share being \$25 – \$27.5 million over the next two years.

## **SIGNIFICANT EVENTS AFTER THE BALANCE DATE (CONT.)**

### **CITI FINANCE FACILITY REPAYMENT (CONT.)**

On 27 July 2020, the Company entered into a loan facility with Asia Cheer Trading Limited (**ACT**) for a \$26,000,000 unsecured six month term loan facility (ACT Loan) ending on 31 January 2021. The funds from the ACT Loan were to be applied to the repayment of the amount outstanding pursuant to the Citi Facility. A further condition of the ACT Loan is that the net proceeds from the sale of Nifty or any capital raising undertaken by the Company during the loan term must be paid to the lender in permanent reduction of the Principal Amount.

On 31 July 2020, the Company announced that it paid out the principal and interest sum of the Citi Facility and the Company settled and closed out the associated derivative contracts.

As a result of the pay out of the Citi Facility, the final condition was satisfied with regard to the ACT Loan and the Company drew down the full A\$26,000,000.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

It is expected that the Consolidated Entity will continue its exploration, mining, processing, production and marketing of tin, will seek the sale of its copper assets and will seek funding development partner(s) for or the outright sale of its nickel exploration projects. These are described in more detail in the Review of Operations on page 3.

## **ENVIRONMENTAL REGULATION AND PERFORMANCE**

The Consolidated Entity's operations are subject to the relevant environmental protection legislation (Commonwealth and State legislation). The Consolidated Entity holds various environmental licenses issued under these laws, to regulate its mining and exploration activities in Australia. These licenses include conditions and regulations in relation to specifying limits on discharges into the air, surface water and groundwater, rehabilitation of areas disturbed during the course of mining and exploration activities and the storage of hazardous substances.

All environmental performance obligations are monitored by the board of directors and subjected from time to time to Government agency audits and site inspections. There have been no material breaches of the Consolidated Entity's licenses and all mining and exploration activities have been undertaken in compliance with the relevant environmental regulations.

## **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

During the financial year, the Company paid a premium in respect of a contract of insurance to insure Directors and officers of the Company and related bodies corporate against those liabilities for which insurance is permitted under section 199B of the Corporations Act 2001. Disclosure of the nature of the liabilities and the amount of the premium is prohibited under the conditions of the contract of insurance.

## **INDEMNIFICATION OF AUDITORS**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

## REMUNERATION REPORT (AUDITED)

### **CONTENTS**

1. Remuneration report overview
2. Remuneration governance
3. Non-Executive Director remuneration
4. Executive remuneration
5. Performance and executive remuneration outcomes
6. Executive employment arrangements
7. Additional statutory disclosures

### **1. REMUNERATION REPORT OVERVIEW**

The Directors of Metals X present the Remuneration Report (**the Report**) for the Consolidated Entity for the year ended 30 June 2020 (**FY2020**). This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the *Corporations Act 2001* and its regulations. The Directors have considered the impact of COVID-19 on the performance of the Consolidated Entity. Given the status of the current projects, COVID-19 did not impact the remuneration for the year ended 30 June 2020.

### **REMUNERATION REPORT AT FY2019 AGM**

Metals X received 71.35% votes for and 28.65% votes against its Remuneration Report for the financial year ending 30 June 2019, resulting in a "First Strike" being recorded.

In September 2019 the Company received notices pursuant to sections 203D, 249N and 249D of the Corporations Act on behalf of APAC, regarding the intention of APAC to move resolutions for the appointment and removal of Directors of the Company, requisitioning a meeting of shareholders to consider those resolutions and a member's statement from APAC to be tabled at the shareholder meeting (**Notices**). The Notices nor the member's statement from APAC made any objection to the Company's remuneration structure.

The issues raised in the Notices and member's statement from APAC have been resolved by a subsequent change in the composition of the board and the appointment of Brett Smith (APAC's nominee) as a Director of the Company.

During the period the Board reviewed the variable remuneration for KMP's and overall performance of the Company. As a result of a decline of the Company's performance, short term incentives that were achieved by KMP's in FY2020 were forfeited at the discretion of the Board. In addition the Board proposed a refresh of the remuneration strategy going forward (refer below).

### **FUTURE REMUNERATION STRATEGY – FY2021**

As a result of decision of the Board to pursue the divestment of the Company's copper assets (refer to ASX announcement dated 2 July 2020 "Copper Assets Strategic Review – Proposed Sale") the variable remuneration, both STI and LTI, for KMP's (other than for the Executive Director, Brett Smith) has been suspended effective 1 July 2020 for FY2021. The Board will consider the appropriate variable structure for KMP's at a future date.

Due to the receipt of notices pursuant to sections 203D, 249N and 249D of the Corporations Act 2001 (Cth) (**Corporations Act**) on behalf of APAC Resources Strategic Holdings Ltd (**APAC**) in June 2020, Board changes were effected on 10 July 2020 with Mr Peter Gunzburg appointed as Non-Executive Chairman, Mr Grahame White appointed as Non-Executive Director and Mr Brett Smith appointed as Executive Director.

Following the appointment of Mr Gunzburg and Mr White, a reduction in non-executive director fees of \$10,000 per annum was made effective 1 August 2020.

### **FY2020 REMUNERATION REPORT**

The Report details the remuneration arrangements for Metals X's Key Management Personnel (**KMP**):

- Non-Executive Directors (**NEDs**)
- Managing Director (**MD**) or Chief Executive Officer (**CEO**) or Executive Director (**ED**) and senior executives (collectively the executives).

KMP are those who directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity and includes all directors of the parent entity.

## 1. REMUNERATION REPORT OVERVIEW (CONT.)

Details of KMP of the Consolidated Entity are set out below:

(i)	Directors	Details	Appointed	Resigned
	Peter Gunzburg <sup>2</sup>	Non-Executive Chairman	10 Jul 2020	-
	Brett Smith <sup>5</sup>	Executive Director	2 Dec 2019	-
	Patrick O'Connor <sup>2</sup>	Non-Executive Director	24 Oct 2019	-
	Grahame White	Non-Executive Director	10 Jul 2020	-
	Xingwang Bao	Non-Executive Director	10 Jan 2020	-
	Brett Lambert	Non-Executive Director	24 Oct 2019	10 Jul 2020
	Anthony Polglase	Non-Executive Director	24 Oct 2019	10 Jul 2020
	Peter Newton	Non-Executive Chairman	14 Dec 2012	24 Oct 2019
	Damien Marantelli <sup>3</sup>	Managing Director	3 Sept 2018	2 Dec 2019
	Simon Heggen <sup>1</sup>	Non-Executive Director	25 Oct 2012	2 Dec 2019
	Milan Jerkovic	Non-Executive Director	1 May 2017	30 Aug 2019
	Yimin Zhang	Non-Executive Director	9 Jan 2017	10 Jan 2020
(ii)	<b>Other Executives (KMPs)</b>			
	Michael Spreadborough <sup>4</sup>	Chief Executive Officer (CEO)	19 Dec 2019	-
	Campbell Baird	EGM - Mining & Technical	3 Sep 2018	30 Nov 2019
	Russell Cole	General Manager - Nifty	23 Aug 2018	31 Jan 2020
		EGM - Geology & Business		
	Simon Rigby	Development	5 Jun 2018	-
	Stephen Robinson	EGM - Projects & Planning	25 Nov 2016	-
	Fiona Van Maanen	CFO & Company Secretary	1 Jul 2005	-

- 1) Simon Heggen was appointed Non-Executive Chairman of the Company upon the resignation of Peter Newton on 24 October 2019.
- 2) Patrick O'Connor was appointed Non-Executive Chairman of the Company upon the resignation of Simon Heggen on 2 December 2019 and was subsequently appointed Executive Chairman on 17 December 2019. Upon the appointment of Peter Gunzburg as the Non-Executive Chairman on 10 July 2020, Mr O'Connor became a Non-Executive Director
- 3) Damien Marantelli resigned as the Managing Director on 2 December 2019, was subsequently appointed as the CEO and resigned 1 March 2020.
- 4) Michael Spreadborough was appointed as the Chief Operations Officer on 19 December. He was subsequently appointed the CEO on 3 March 2020.
- 5) Brett Smith was appointed an Executive Director on 10 July 2020.

There are no other changes of the key management personnel after the reporting date and before the date the financial report was authorised for issue.

## 2. REMUNERATION GOVERNANCE

### **REMUNERATION AND NOMINATION COMMITTEE RESPONSIBILITY**

The Remuneration and Nomination Committee (**the Committee**) is a subcommittee of the Board. It is primarily responsible for making recommendations to the Board on:

- Non-Executive Director fees;
- Executive remuneration (directors and senior executives); and
- The executive remuneration framework and incentive plan policies.

The Committee assesses the appropriateness of the nature and amount of remuneration of non-executive directors and executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team.

The composition of the Committee is set out on page 32 of this annual report.

## **REMUNERATION REPORT (AUDITED) (CONT.)**

### **2. REMUNERATION GOVERNANCE (CONT.)**

#### ***USE OF REMUNERATION CONSULTANTS***

In forming remuneration recommendations, each year the Committee obtains and considers industry specific independent data and professional advice as appropriate. All reports and professional advice relating to KMP remuneration are commissioned and received directly by the Committee.

At the end of FY2020 the Committee approved the engagement of Godfrey Remuneration Group Pty Ltd (**GRG**) to review and provide recommendations on the Consolidated Entity's executive remuneration framework and policies for FY2021. In accordance with the Committee's charter, where a remuneration consultant is appointed in relation to remuneration of KMP, the Committee directly engages the consultant and receives the reports of the consultant. The Committee has delegated authority to the MD/CEO/ED for approving remuneration recommendations for employees other than KMP, within the parameters of approved remuneration levels and structures.

Both GRG and the Committee are satisfied the advice received from GRG was free from undue influence from the KMP to whom the remuneration recommendations apply. The fees paid to GRG for the remuneration recommendations for FY2021 were \$26,000.

Due to the receipt of notices pursuant to sections 203D, 249N and 249D of the Corporations Act 2001 (Cth) (**Corporations Act**) on behalf of APAC Resources Strategic Holdings Ltd (**APAC**) in June 2020 the Committee did not consider nor implement the recommendations of the GRG Remuneration Review.

#### ***NED REMUNERATION POLICY***

Metals X's NED fee policy is designed to attract and retain high calibre directors who can discharge the roles and responsibilities required in terms of good governance, strong oversight, independence and objectivity.

The Company's constitution and the ASX listing rules specify that the NED fee pool limit, shall be approved periodically by shareholders. The last determination was at the annual general meeting (**AGM**) held on 26 November 2014 when shareholders approved an aggregate fee pool of \$600,000 per year.

The amount of the aggregate remuneration sought to be approved by shareholders and the manner in which it is paid to NEDs is reviewed annually against comparable companies. The Board also considers advice from external advisors when undertaking the review.

Non-executive directors have long been encouraged by the Board to hold shares in the Company and align their interests with the Company's shareholders. The shares are purchased by the directors at the prevailing market share price.

### **3. NON-EXECUTIVE DIRECTOR REMUNERATION**

#### ***NED REMUNERATION STRUCTURE***

The remuneration of NEDs consists of director's fees. There is no scheme to provide retirement benefits to NEDs other than statutory superannuation. NEDs do not participate in any performance related incentive programs.

The FY2020 director's fee for the Chairman was \$110,000 per annum (reducing to \$100,000 from 1 August 2020 in FY2021). The FY2020 director's fee for other NEDs was \$80,000 per annum (reducing to from 1 August 2020 \$70,000 in FY2021). The director's fees are exclusive of any contributions to superannuation funds nominated by Directors.

Fees paid to NEDs cover all activities associated with their role on the Board and any sub-committees. No additional fees are paid to NEDs for being a Chair or Member of a sub-committee. However, NEDs are entitled to fees or other amounts as the Board determines where they perform special duties or otherwise perform extra services on behalf of the Company. They may also be reimbursed for out of pocket expenses incurred as a result of their Directorships.

For the period from 19 December 2020, Mr O'Connor was paid additional consulting fees for the role as Executive Chairman based on an hourly rate limited to 8 hours in any day less any director fee paid, in accordance with the Board approved policy.

#### 4. EXECUTIVE REMUNERATION

##### ***EXECUTIVE REMUNERATION POLICY***

In determining executive remuneration, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain high calibre talent;
- aligned to the Company's strategic and business objectives and the creation of shareholder value;
- transparent and easily understood; and
- acceptable to shareholders.

The Company's approach to remuneration ensures that remuneration is competitive, performance-focused, clearly links appropriate reward with desired business performance, and is simple to administer and understand by executives and shareholders.

In line with the remuneration policy, remuneration levels are reviewed annually to ensure alignment to the market and the Company's stated objectives.

##### ***EXECUTIVE REMUNERATION STRUCTURE***

The Company's remuneration structure provides for a combination of fixed and variable pay with the following components:

- fixed remuneration;
- short-term incentives (**STI**); and
- long-term incentives (**LTI**).

In accordance with the Company's objective to ensure that executive remuneration is aligned to Company performance, a portion of executives' remuneration is placed "at risk". The relative proportion of FY2020 total remuneration packages split between the fixed and variable remuneration is shown below:

Executive	Fixed remuneration	STI	LTI
Executives	50%	20%	30%

##### ***ELEMENTS OF REMUNERATION***

###### ***Fixed remuneration***

Fixed remuneration consists of base salary, superannuation and other non-monetary benefits and is designed to reward for:

- the scope of the executive's role;
- the executive's skills, experience and qualifications; and
- individual performance.

## REMUNERATION REPORT (AUDITED) (CONT.)

### 4. EXECUTIVE REMUNERATION (CONT.)

#### **SHORT TERM INCENTIVE ARRANGEMENTS**

Under the STI plan in FY2020, executives have the opportunity to earn an annual incentive award which is delivered in cash. The STI recognises and rewards annual performance.

How is it paid?	Any STI award is paid in cash after the assessment of annual performance.
How much can executives earn?	Executives had a maximum STI opportunity of 40% of total fixed remuneration.
How is performance measured?	<p>A combination of personal and business Key Performance Indicators (<b>KPIs</b>) are chosen to reflect the core drivers of short term performance and also to provide a framework for delivering sustainable value to the Consolidated Entity and its shareholders. Robust threshold, target and maximum targets are established for all KPIs to drive high levels of personal and business performance. The annual budget generally forms the basis for the target performance set by the Board. The specific KPIs and weightings may change from year to year to best reflect the priorities and critical success factors of the Company.</p> <p>The following KPIs, weightings and measures were chosen for FY2020:</p> <ul style="list-style-type: none"> <li>• KPI 1: All-in-sustaining cost (<b>AISC</b>) per tonne (30%) Threshold - 5% above budget, Target – equal to budget and Maximum – 5% below budget;</li> <li>• KPI 2: Production (tonnes of copper and tin metal) (30%) Threshold - 10% below budget, Target – equal to budget and Maximum – 10% above budget;</li> <li>• KPI 3: Safety performance (30%) Threshold - 5% below prior year TRIFR, Target – 10% below prior year TRIFR and Maximum – 15% below prior year TRIFR; and</li> <li>• KPI 4: Board discretion based on performance of the Consolidated Entity and/or the individual (10%).</li> </ul>
When is it paid?	The STI award is determined after the end of the financial year following a review of performance over the year against the STI performance measures by the Remuneration and Nomination Committee. The Board approves the final STI award based on this assessment of performance and the award is paid in cash up to three months after the end of the performance period.
What happens if an executive leaves?	<p>Where an executive ceases to be an employee of the Consolidated Entity:</p> <ul style="list-style-type: none"> <li>• due to resignation or termination for cause, before the end of the financial year, no STI is awarded for that year; or</li> <li>• due to redundancy, ill health, death or other circumstances approved by the Board, the executive will be entitled to a pro-rata cash payment based on assessment of performance up to the date of ceasing employment for that year.</li> </ul> <p>unless the Board determines otherwise.</p>
What happens if there is a change of control	In the event of a change of control, a pro-rata cash payment will be made based on assessment of performance up to the date of the change of control (subject to Board discretion).

#### 4. EXECUTIVE REMUNERATION (CONT.)

##### ***LONG TERM INCENTIVE ARRANGEMENTS***

Under the LTI plan in FY2020, annual grants of performance options are made to executives to align remuneration with the creation of shareholder value over the long-term.

How is it paid?	Executives are eligible to receive performance options. In FY2020 options issued were performance options, being an option to acquire an ordinary share in Metals X for nil consideration.
How much can executives earn?	Executives had a maximum LTI opportunity of 60% of total fixed remuneration.  The number of performance options to be granted will be determined by dividing the LTI remuneration dollar amount by the volume weighted average price of Metals X shares traded on the ASX during the 5 day trading period prior to the day of the grant.
How is performance measured?	Performance options issued in 2020 are subject to performance measures over a three year performance period. The performance measures are: <ul style="list-style-type: none"> <li>• Relative Total Shareholder Return (50%); and</li> <li>• Return on Capital Employed (50%).</li> </ul> Relative TSR was selected as it focuses executives on shareholder value creation and is widely accepted and understood by shareholders. ROCE was selected as it focuses executives on generating earnings that efficiently use shareholder capital and the reinvestment of earnings. The TSR is measured relative to its peer companies by comparing the TSR performance of Metals X against the performance of the S&P/ASX Metals and Mining Index. Refer to note 31 for vesting schedules of the performance measures.
When is performance measured?	Performance is measured at the end of the two or three year performance period.
What happens if an executive leaves?	Where an executive ceases to be an employee of the Consolidated Entity: <ul style="list-style-type: none"> <li>• due to resignation or termination for cause, then any unvested performance options will automatically lapse on the date of the cessation of employment; or</li> <li>• due to redundancy, ill health, death or other circumstances approved by the Board, the executive will generally be entitled to a pro-rata number of unvested performance options based on achievement of the performance measures over the performance period up to the date of cessation of employment; and</li> <li>• where an employee ceases employment after the vesting of their performance options, the performance options automatically lapse after three months of cessation of employment.</li> </ul> unless the Board determines otherwise.
What happens if there is a change of control	In the event of a change of control, the performance period end date will be brought forward to the date of the change of control and performance options will vest based on performance over the shortened period (subject to board discretion).
Are executives eligible for dividends	Executives are not eligible to receive dividends on unvested performance options.

##### ***SIGN ON PAYMENTS***

In addition to fixed remuneration, STI and LTI, the Board may determine, from time to time, to award sign on payments to new executives. There were no sign on payments in FY2020.

## REMUNERATION REPORT (AUDITED) (CONT.)

### 5. PERFORMANCE AND EXECUTIVE REMUNERATION OUTCOMES

#### **REMUNERATION EARNED BY EXECUTIVES IN FY2020**

The actual remuneration earned by executives in the year ended 30 June 2020 is set out in Table 1. This provides shareholders with a view of the remuneration paid to executives for performance in FY2020.

#### **STI PERFORMANCE AND OUTCOMES**

A combination of financial and non-financial measures were used to measure performance for STI rewards. Company performance against those measures is as follows for FY2020:

Metric	Weighting	Actuals	Achievement	Weighted Achievement
AISC	Copper – 15% Tin – 15%	Copper - below threshold Tin - between threshold and target	Copper – 0% Tin – 51.2%	0% 7.7%
Production	Copper – 15% Tin – 15%	Copper - below threshold Tin – between target and maximum	Copper – 0% Tin – 27.0%	0% 4.0%
Reduction in total recordable injury frequency rate (TRIFR)	Copper – 15% Tin – 15%	Copper - below threshold Tin - between threshold and target	Copper – 0% Tin – 0%	0% 0.0%
Board Discretion	10%	Below threshold	0%	0%
Percentage of Maximum STI achieved				11.7%

The Board has absolute discretion to reduce, withhold or cancel the final STI award based on assessment of performance of the Consolidated Entity and/or the individual.

Based on this assessment, the STI payments for FY2020 to executives were recommended as detailed in the following table:

Name	Position	Maximum STI Awardable \$	Achieved STI %	STI Awarded \$
Damien Marantelli <sup>1</sup>	Managing Director	301,125	-	-
Campbell Baird <sup>2</sup>	EGM – Mining & Technical	175,200	-	-
Russell Cole <sup>3</sup>	General Manager – Nifty Copper Operation	148,920	-	-
Simon Rigby <sup>4</sup>	EGM – Geology & Business Development	142,350	11.7%	-
Stephen Robinson <sup>4</sup>	EGM – Projects & Planning	164,250	11.7%	-
Fiona Van Maanen <sup>4</sup>	Chief Financial Officer & Company Secretary	160,000	11.7%	-

1. Damien Marantelli resigned on 1 March 2020 and 100% of the STI has been forfeited.
2. Campbell Baird was terminated on 30 November 2019 and 100% of the STI has been forfeited.
3. Russell Cole resigned on 31 January 2020 and 100% of the STI has been forfeited.
4. Whilst the STI has been achieved, 100% of the STI has been forfeited at the discretion of the Board due to the overall decline in performance of the Company over the period.

#### **LTI PERFORMANCE AND OUTCOMES**

LTI performance options granted to the Executives in FY2020 are subject to achievement of performance measures over a three year vesting period ending on 30 June 2023 respectively.

LTI performance options granted to Executives in FY2019 will be subject to achievement of performance measures over a two year vesting period ending on 30 June 2021 and a three year vesting period ending on 30 June 2022.

No performance options vested during the period.

For further details of options granted and vested refer to Table 3 below.

## 5. PERFORMANCE AND EXECUTIVE REMUNERATION OUTCOMES (CONT.)

### **CLAWBACK OF REMUNERATION**

In the event of serious misconduct or material misstatement in the Consolidated Entity's financial statements, the board has the discretion to reduce, cancel or clawback any unvested short term incentives or long term incentives.

### **SHARE TRADING POLICY**

The Metals X trading policy applies to all non-executive directors and executives. The policy prohibits employees from dealing in Metals X securities while in possession of material non-public information relevant to the Consolidated Entity. Executives must not enter into any hedging arrangements over unvested long term incentives under the Consolidated Entity's long term incentive plan. The Consolidated Entity would consider a breach of this policy as gross misconduct, which may lead to disciplinary action and potentially dismissal.

### **OVERVIEW OF COMPANY PERFORMANCE**

The table below sets out information about Metals X's earnings and movements in shareholder wealth for the past five years up to and including the current financial year.

	30 June 2016 *	30 June 2017	30 June 2018	30 June 2019 **	30 June 2020 ***
Closing share price	\$1.40	\$0.67	\$0.80	\$0.25	\$0.08
Profit/(loss) per share (cents)	-5.21	-17.43	-4.30	-17.17	-9.45
Net assets per share	\$0.82	\$0.27	\$0.28	\$0.15	\$0.06
Total Shareholder Return	4%	12%	19%	-69%	-68%
Dividend paid per shares (cents)	-	1.000	-	-	-

\* Pre demerger of Westgold Resources Limited.

\*\* AASB 9 and AASB 15 were adopted for the year ended 30 June 2019. The prior year comparatives have not been updated.

\*\*\* AASB 16 was adopted for the year ended 30 June 2020. The prior year comparatives have not been updated.

## 6. EXECUTIVE EMPLOYMENT ARRANGEMENTS

A summary of the key terms of employment agreements for executives is set out below. There is no fixed term for executive service agreements and all executives are entitled to participate in the Company's STI and LTI plans. The Company may terminate employment agreements immediately for cause, in which the executive is not entitled to any payment other than the value of fixed remuneration and accrued leave entitlements up to the termination date.

Name	Annual Base Remuneration	Superannuation	Resigned	Notice Period	Maximum Termination Payment
Michael Spreadborough **	\$625,000	N/A	-	1 month	N/A
Patrick O'Connor ***	\$110,000	N/A	-	N/A	N/A
Damien Marantelli	\$550,000	9.5%	1 Mar 2020	3 months	6 months
Campbell Baird	\$400,000	9.5%	30 Nov 2020	3 months	6 months
Russell Cole	\$340,000	9.5%	31 Jan 2019	1 month	per NES *
Simon Rigby ****	\$325,000	9.5%	-	1 month	6 months
Stephen Robinson	\$375,000	9.5%	-	3 months	6 months
Fiona Van Maanen ****	\$365,297	9.5%	-	3 months	6 months

\* NES are National Employment Standards as defined in the *Fair Work Act 2009 (Cth)*.

\*\* Michael Spreadborough is employed under a service agreement on a fixed rate that is inclusive of superannuation and any other employment entitlements.

\*\*\* From 16 December 2020, Patrick O'Connor was paid additional consulting fees for the role as Executive Chairman. In accordance with the Board approved policy, he was paid on an hourly rate limited to 8 hours in any day less any director's fees paid.

\*\*\*\* Simon Rigby and Fiona Van Maanen have flexible employment contracts that provide that they will be paid for the hours worked.

## REMUNERATION REPORT (AUDITED) (CONT.)

### 6. EXECUTIVE EMPLOYMENT ARRANGEMENTS (CONT.)

Table 1: Remuneration for the year ended 30 June 2020

Remuneration of key management personnel of the Consolidated Entity	Salary and Fees	Cash Bonus	Short Term Non monetary benefits	Post employment Superannuation	Long term benefits Employee Entitlements	Share based payment Options	Termination payments	Total	% Performance related
<b>Non-Executive Directors</b>									
Patrick O'Connor <sup>1</sup>	270,221	-	2,816	6,893	-	-	-	279,930	-
Brett Lambert <sup>2</sup>	55,054	-	-	5,230	-	-	-	60,284	-
Anthony Polglase <sup>2</sup>	55,054	-	-	5,230	-	-	-	60,284	-
Brett Smith <sup>2</sup>	46,237	-	-	4,392	-	-	-	50,629	-
Xingwang Bao <sup>2</sup>	-	-	-	-	-	-	-	-	-
Peter Newton <sup>3</sup>	36,667	-	-	3,483	-	-	-	40,150	-
Simon Heggen <sup>3</sup>	41,436	-	-	3,936	-	-	-	45,372	-
Milan Jerkovic <sup>3</sup>	13,333	-	467	1,267	-	-	-	15,067	-
Yimin Zhang <sup>3</sup>	42,151	-	-	4,004	-	-	-	46,155	-
	<b>560,153</b>	<b>-</b>	<b>3,283</b>	<b>34,435</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>597,871</b>	
<b>Executive Directors</b>									
Damien Marantelli <sup>4</sup>	366,667	-	2,816	34,833	10,489	(1,239)	45,833	459,399	(0)
<b>Other key management personnel</b>									
Michael Spreadborough <sup>5</sup>	359,663	-	1,661	-	-	-	-	361,324	-
Campbell Baird <sup>6</sup>	166,667	-	3,913	15,833	10,067	(45,893)	230,769	381,357	(12)
Russell Cole <sup>7</sup>	286,135	-	-	27,182	13,968	(39,009)	196,155	484,431	(8)
Simon Rigby	400,437	-	7,130	38,042	17,999	46,085	-	509,693	9
Stephen Robinson	389,793	-	10,858	20,833	32,786	58,269	-	512,539	11
Fiona Van Maanen	391,726	-	11,053	30,783	8,831	56,874	-	499,267	11
	<b>2,361,088</b>	<b>-</b>	<b>37,431</b>	<b>167,506</b>	<b>94,140</b>	<b>75,087</b>	<b>472,757</b>	<b>3,208,009</b>	
<b>Totals</b>	<b>2,921,241</b>	<b>-</b>	<b>40,714</b>	<b>201,941</b>	<b>94,140</b>	<b>75,087</b>	<b>472,757</b>	<b>3,805,880</b>	

1. Patrick O'Connor was appointed as a Non-Executive Director on 24 October 2019 and was subsequently appointed Executive Chairman on 17 December 2019.

2. Brett Lambert and Anthony Polglase were both appointed on 24 October 2019. Brett Smith and Xingwang Bao were appointed on 2 December 2019 and 10 January 2020 respectively.

3. Milan Jerkovic, Peter Newton, Simon Heggen and Yimin Zhang resigned on 30 August 2019, 24 October 2019, 2 December 2019 and 10 January 2020 respectively.

4. Damien Marantelli resigned as the Managing Director on 2 December 2019, was subsequently appointed as the CEO and resigned on 1 March 2020.

5. Michael Spreadborough was appointed CEO on 3 March 2020.

6. Campbell Baird was terminated on 30 November 2019.

7. Russell Cole resigned on 31 January 2020.

## 6. EXECUTIVE EMPLOYMENT ARRANGEMENTS (CONT.)

Table 2: Remuneration for the year ended 30 June 2019

Remuneration of key management personnel of the Consolidated Entity \$,000	Salary and Fees	Cash Bonus	Short Term Non monetary benefits	Post employment Superannuation	Long term benefits Employee Entitlements	Share based payment Options	Termination payments	Total	% Performance related
<b>Non-Executive Directors</b>									
Peter Newton	110,000	-	-	10,450	-	-	-	120,450	-
Simon Heggen	80,000	-	-	7,600	-	-	-	87,600	-
Milan Jerkovic	80,000	-	-	7,600	-	-	-	87,600	-
Yimin Zhang	80,000	-	-	7,600	-	-	-	87,600	-
	<b>350,000</b>	<b>-</b>	<b>-</b>	<b>33,250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>383,250</b>	
<b>Executive Directors</b>									
Damien Marantelli <sup>1</sup>	368,019	34,703	-	34,962	34,449	125,676	-	597,809	27
Warren Hallam <sup>2</sup>	213,508	-	5,059	48,613	10,642	199,389	407,695	884,906	23
<b>Other key management personnel</b>									
Campbell Baird <sup>3</sup>	333,333	25,515	4,609	31,667	19,302	45,893	-	460,319	16
Russell Cole <sup>3</sup>	286,784	-	-	27,245	34,170	39,009	-	387,208	10
John Croall <sup>2</sup>	6,624	-	-	5,538	(2,403)	(51,066)	51,667	10,360	(493)
Allan King <sup>2</sup>	127,435	-	44	28,444	1,277	(175,085)	94,232	76,347	(229)
Mark Recklies	153,846	25,278	-	17,017	7,256	-	-	203,397	12
Simon Rigby <sup>3</sup>	326,555	24,687	3,068	31,023	24,450	31,551	-	441,334	13
Stephen Robinson <sup>4</sup>	393,128	28,485	9,167	25,410	21,171	162,658	-	640,019	30
Fiona Van Maanen	395,982	27,748	11,421	17,021	67,934	157,102	-	677,208	27
	<b>2,605,214</b>	<b>166,416</b>	<b>33,368</b>	<b>266,940</b>	<b>218,248</b>	<b>535,127</b>	<b>553,594</b>	<b>4,378,907</b>	
<b>Totals</b>	<b>2,955,214</b>	<b>166,416</b>	<b>33,368</b>	<b>300,190</b>	<b>218,248</b>	<b>535,127</b>	<b>553,594</b>	<b>4,762,157</b>	

1. Damien Marantelli was appointed as a Non-Executive Director on 3 September 2018 and was subsequently employed as an Executive Director on 12 November 2018.

2. Warren Hallam and Allan King both resigned on 12 November 2018 and JR Croall resigned on 6 July 2018.

3. Campbell Baird, Russell Cole and Simon Rigby were employed on 3 September 2018, 23 August 2018 and 5 June 2018 respectively.

4. Stephen Robinson resigned as an Executive Director on 3 September and was subsequently employed as the Executive General Manager-Projects and Planning.

## REMUNERATION REPORT (AUDITED) (CONT.)

### 7. ADDITIONAL STATUTORY DISCLOSURES

This section sets out the additional disclosures required under the *Corporations Act 2001*.

**Table 3: Options granted, vested and lapsed during the year (Consolidated)**

KMP	Year of grant	Options granted during the year (No.)	Performance options granted (No.)	Grant date	Fair value per option at grant date	Fair value of options \$	Vesting date	Exercise price	Expiry dated	Options vesting during the period	Options lapsed during the year
<b>Damien Marantelli <sup>1</sup></b>	<b>2020</b>	-	<b>961,702</b>	<b>24 Nov 2019</b>	<b>\$0.09</b>	<b>87,515</b>	<b>1 Jul 2022</b>	<b>\$0.00</b>	<b>30 Jun 2024</b>	-	<b>961,702</b>
<b>Damien Marantelli <sup>1</sup></b>	<b>2020</b>	-	<b>961,702</b>	<b>24 Nov 2019</b>	<b>\$0.15</b>	<b>144,255</b>	<b>1 Jul 2022</b>	<b>\$0.00</b>	<b>30 Jun 2024</b>	-	<b>961,702</b>
Damien Marantelli <sup>1</sup>	2019	1,000,000	-	25 Jan 2019	\$0.12	124,410	22 Jan 2020	\$0.54	22 Jan 2022	1,000,000	1,000,000
Damien Marantelli <sup>1</sup>	2019	1,000,000	-	25 Jan 2019	\$0.15	145,044	22 Jan 2021	\$0.56	22 Jan 2023	-	1,000,000
Damien Marantelli <sup>1</sup>	2019	1,000,000	-	25 Jan 2019	\$0.16	163,212	22 Jan 2022	\$0.58	22 Jan 2024	-	1,000,000
<b>Campbell Baird <sup>2</sup></b>	<b>2020</b>	-	<b>524,565</b>	<b>3 Jul 2019</b>	<b>\$0.09</b>	<b>47,735</b>	<b>1 Jul 2022</b>	<b>\$0.00</b>	<b>30 Jun 2024</b>	-	<b>524,565</b>
<b>Campbell Baird <sup>2</sup></b>	<b>2020</b>	-	<b>524,565</b>	<b>3 Jul 2019</b>	<b>\$0.15</b>	<b>78,685</b>	<b>1 Jul 2022</b>	<b>\$0.00</b>	<b>30 Jun 2024</b>	-	<b>524,565</b>
Campbell Baird <sup>2</sup>	2019	-	83,413	7 Dec 2018	\$0.26	21,270	1 Jul 2020	\$0.00	30 Jun 2022	-	83,413
Campbell Baird <sup>2</sup>	2019	-	83,413	7 Dec 2018	\$0.40	33,365	1 Jul 2020	\$0.00	30 Jun 2022	-	83,413
Campbell Baird <sup>2</sup>	2019	-	83,413	7 Dec 2018	\$0.27	22,522	1 Jul 2021	\$0.00	30 Jun 2023	-	83,413
Campbell Baird <sup>2</sup>	2019	-	83,413	7 Dec 2018	\$0.40	33,365	1 Jul 2021	\$0.00	30 Jun 2023	-	83,413
<b>Russell Cole <sup>3</sup></b>	<b>2020</b>	-	<b>445,880</b>	<b>3 Jul 2019</b>	<b>\$0.09</b>	<b>40,575</b>	<b>1 Jul 2022</b>	<b>\$0.00</b>	<b>30 Jun 2024</b>	-	<b>445,880</b>
<b>Russell Cole <sup>3</sup></b>	<b>2020</b>	-	<b>445,880</b>	<b>3 Jul 2019</b>	<b>\$0.15</b>	<b>66,882</b>	<b>1 Jul 2022</b>	<b>\$0.00</b>	<b>30 Jun 2024</b>	-	<b>445,880</b>
Russell Cole <sup>3</sup>	2019	-	70,901	7 Dec 2018	\$0.26	18,080	1 Jul 2020	\$0.00	30 Jun 2022	-	70,901
Russell Cole <sup>3</sup>	2019	-	70,901	7 Dec 2018	\$0.40	28,360	1 Jul 2020	\$0.00	30 Jun 2022	-	70,901
Russell Cole <sup>3</sup>	2019	-	70,901	7 Dec 2018	\$0.27	19,143	1 Jul 2021	\$0.00	30 Jun 2023	-	70,901
Russell Cole <sup>3</sup>	2019	-	70,901	7 Dec 2018	\$0.40	28,360	1 Jul 2021	\$0.00	30 Jun 2023	-	70,901
<b>Simon Rigby</b>	<b>2020</b>	-	<b>426,209</b>	<b>3 Jul 2019</b>	<b>\$0.09</b>	<b>38,785</b>	<b>1 Jul 2022</b>	<b>\$0.00</b>	<b>30 Jun 2024</b>	-	-
<b>Simon Rigby</b>	<b>2020</b>	-	<b>426,209</b>	<b>3 Jul 2019</b>	<b>\$0.15</b>	<b>63,931</b>	<b>1 Jul 2022</b>	<b>\$0.00</b>	<b>30 Jun 2024</b>	-	-
Simon Rigby	2019	-	57,347	7 Dec 2018	\$0.26	14,623	1 Jul 2020	\$0.00	30 Jun 2022	-	-
Simon Rigby	2019	-	57,347	7 Dec 2018	\$0.40	22,939	1 Jul 2020	\$0.00	30 Jun 2022	-	-
<b>Stephen Robinson</b>	<b>2020</b>	-	<b>491,779</b>	<b>3 Jul 2019</b>	<b>\$0.09</b>	<b>44,752</b>	<b>1 Jul 2022</b>	<b>\$0.00</b>	<b>30 Jun 2024</b>	-	-
<b>Stephen Robinson</b>	<b>2020</b>	-	<b>491,779</b>	<b>3 Jul 2019</b>	<b>\$0.15</b>	<b>73,767</b>	<b>1 Jul 2022</b>	<b>\$0.00</b>	<b>30 Jun 2024</b>	-	-
Stephen Robinson	2019	-	78,200	7 Dec 2018	\$0.26	19,941	1 Jul 2020	\$0.00	30 Jun 2022	-	-
Stephen Robinson	2019	-	78,200	7 Dec 2018	\$0.40	31,280	1 Jul 2020	\$0.00	30 Jun 2022	-	-
<b>Fiona Van Maanen</b>	<b>2020</b>	-	<b>481,242</b>	<b>3 Jul 2019</b>	<b>\$0.09</b>	<b>43,793</b>	<b>1 Jul 2022</b>	<b>\$0.00</b>	<b>30 Jun 2024</b>	-	-
<b>Fiona Van Maanen</b>	<b>2020</b>	-	<b>481,242</b>	<b>3 Jul 2019</b>	<b>\$0.15</b>	<b>72,186</b>	<b>1 Jul 2022</b>	<b>\$0.00</b>	<b>30 Jun 2024</b>	-	-
Fiona Van Maanen	2019	-	76,177	7 Dec 2018	\$0.26	19,425	1 Jul 2020	\$0.00	30 Jun 2022	-	-
Fiona Van Maanen	2019	-	76,177	7 Dec 2018	\$0.40	30,471	1 Jul 2020	\$0.00	30 Jun 2022	-	-
Fiona Van Maanen <sup>4</sup>	2017	-	-	20 Jan 2017	\$0.19	226,780	20 Jan 2018	\$0.76	20 Jan 2020	-	1,200,000

## 7. ADDITIONAL STATUTORY DISCLOSURES (CONT.)

1. During the period 3,000,000 share options and 1,923,404 performance option issued to Damien Marantelli lapsed upon his resignation as the options had not vested at that date and were subsequently forfeited.
2. During the period 1,382,781 performance options issued to Campbell Baird lapsed upon his termination as the options had not vested at that date and were subsequently forfeited.
3. During the period 1,175,363 performance options issued to Russell Cole lapsed upon his resignation as the options had not vested at that date and were subsequently forfeited.
4. During the period 1,200,000 share options issued to Fiona Van Maanen lapsed.

For details on vesting conditions and valuation of the options, including models and assumptions used, please refer to note 31.

The value of the share based payments granted during the period is recognised in compensation over the vesting period of the grant.

**Table 4: Shareholdings of key management personnel (including nominees)**

Ordinary shares held in Metals X Limited (number)

	Balance held at 30 June 2019	On exercise of options	Net change other ^	Balance held at 30 June 2020
<b>Directors</b>				
Patrick O'Connor	-	-	1,000,000	1,000,000
Peter Gunzburg	-	-	-	-
Brett Lambert	-	-	-	-
Anthony Polglase	-	-	-	-
Brett Smith	-	-	160,000	160,000
Grahame White	-	-	-	-
Xingwang Bao	-	-	-	-
Peter Newton	16,070,217	-	(16,070,217)	-
Damien Marantelli	-	-	-	-
Simon Heggen	6,689	-	(6,689)	-
Milan Jerkovic	917,500	-	(917,500)	-
Yimin Zhang	-	-	-	-
<b>Executives</b>				
Campbell Baird	123,000	-	(123,000)	-
Russell Cole	-	-	-	-
Simon Rigby	20,000	-	3,334	23,334
Stephen Robinson	129,000	-	209,983	338,983
Fiona Van Maanen	521,041	-	86,841	607,882
<b>Total</b>	<b>17,787,447</b>	<b>-</b>	<b>(15,657,248)</b>	<b>2,146,686</b>

^ Represents acquisitions and disposals of shares on market and shares issued under the dividend reinvestment plan, as well as departures and appointments.

## REMUNERATION REPORT (AUDITED) (CONT.)

### 7. ADDITIONAL STATUTORY DISCLOSURES (CONT.)

Table 5: Share option holdings of key management personnel (including nominees)

	Share options balance at end of period 30 June 2019	Share options granted as remuneration	Share options lapsed during the period and forfeited	Share options balance at end of period 30 June 2020	Share options vested and not exercisable	Share options vested and exercisable
<b>Directors</b>						
Patrick O'Connor	-	-	-	-	-	-
Peter Gunzburg	-	-	-	-	-	-
Brett Lambert	-	-	-	-	-	-
Anthony Polglase	-	-	-	-	-	-
Brett Smith	-	-	-	-	-	-
Grahame White	-	-	-	-	-	-
Xingwang Bao	-	-	-	-	-	-
Peter Newton	-	-	-	-	-	-
Damien Marantelli	3,000,000	-	(3,000,000)	-	-	-
Simon Heggen	-	-	-	-	-	-
Milan Jerkovic	-	-	-	-	-	-
Yimin Zhang	-	-	-	-	-	-
<b>Executives</b>						
Campbell Baird	-	-	-	-	-	-
Russell Cole	-	-	-	-	-	-
Simon Rigby	-	-	-	-	-	-
Stephen Robinson	1,200,000	-	-	1,200,000	-	1,200,000
Fiona Van Maanen	2,400,000	-	(1,200,000)	1,200,000	-	1,200,000
<b>Total</b>	<b>6,600,000</b>	<b>-</b>	<b>(4,200,000)</b>	<b>2,400,000</b>	<b>-</b>	<b>2,400,000</b>

## 7. ADDITIONAL STATUTORY DISCLOSURES (CONT.)

Table 6: Performance option holdings of key management personnel (including nominees)

	Performance options balance at end of period 30 June 2019	Performance options granted as remuneration	Performance options lapsed during the period and forfeited	Performance options balance at end of period 30 June 2020	Performance options not vested	Performance options vested and exercisable
<b>Directors</b>						
Patrick O'Connor	-	-	-	-	-	-
Peter Gunzburg	-	-	-	-	-	-
Brett Lambert	-	-	-	-	-	-
Anthony Polglase	-	-	-	-	-	-
Brett Smith	-	-	-	-	-	-
Grahame White	-	-	-	-	-	-
Xingwang Bao	-	-	-	-	-	-
Peter Newton	-	-	-	-	-	-
Damien Marantelli	-	1,923,404	(1,923,404)	-	-	-
Simon Heggen	-	-	-	-	-	-
Milan Jerkovic	-	-	-	-	-	-
Yimin Zhang	-	-	-	-	-	-
<b>Executives</b>						
Campbell Baird	333,654	1,049,129	(1,382,783)	-	-	-
Russell Cole	283,606	891,759	(1,175,365)	-	-	-
Simon Rigby	229,388	852,417	-	967,111	967,111	-
Stephen Robinson	312,800	983,558	-	1,139,958	1,139,958	-
Fiona Van Maanen	304,708	962,484	-	1,114,838	1,114,838	-
<b>Total</b>	<b>1,464,156</b>	<b>6,662,751</b>	<b>(4,481,552)</b>	<b>3,645,355</b>	<b>3,645,355</b>	<b>-</b>

End of Audited Remuneration Report.

## DIRECTORS' MEETINGS

The number of meetings of Directors' (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

Director	Directors Meetings		Audit and Risk Committee Meetings		Remuneration & Nomination Committee Meetings	
	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to	Number of meetings attended
Brett Smith	14	14	-	-	-	-
Patrick O'Connor	17	17	1	1	1	1
Xingwang Bao	12	5	-	-	-	-
Brett Lambert	17	17	1	1	1	1
Anthony Polglase	17	17	1	1	1	1
Peter Newton	10	10	1	1	2	2
Simon Heggen	12	12	1	1	2	2
Milan Jerkovic	5	5	1	1	2	2
Yimin Zhang	16	15	-	-	-	-
Damien Marantelli	12	12	-	-	-	-

All Directors were eligible to attend all meetings held except for the following:

- Milan Jerkovic who resigned on 30 August 2019;
- Peter Newton who resigned on 24 October 2019;
- Patrick O'Connor who was appointed on 24 October 2019;
- Simon Heggen and Damien Marantelli who both resigned on 2 December 2019;
- Brett Smith who was appointed on 2 December 2019;
- Yimin Zhang who resigned on 10 January 2020;
- Xingwang Bao who was appointed on 10 January 2020
- Brett Lambert and Anthony Polglase who were both appointed on 24 October 2019 and both resigned on 10 July 2020.

## COMMITTEE MEMBERSHIP

As at the date of this report, the Company had an Audit Committee and a Remuneration and Nomination Committee of the Board of Directors.

Members acting on the committees of the Board during the year were:

Audit and Risk Committee	Remuneration and Nomination Committee
Grahame White *	Peter Gunzburg *
Peter Gunzburg	Grahame White
Patrick O'Connor	Patrick O'Connor **
Brett Lambert ** - resigned 10 July 2020	Brett Lambert - resigned 10 July 2020
Anthony Polglase - resigned 10 July 2020	Anthony Polglase - resigned 10 July 2020
Simon Heggen ** – resigned 2 December 2019	Simon Heggen – resigned 2 December 2019
Peter Newton – resigned 24 October 2019	Peter Newton ** – resigned 24 October 2019
Milan Jerkovic – resigned 30 August 2019	Milan Jerkovic – resigned 30 August 2019

### Notes:

\* Designates the current Chairman of the Committee.

\*\* Designates a previous Chairman of the Committee.

## CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of Corporate Governance. The Company's corporate governance statement is available at the Company's website at <http://metalsx.com.au/about-us/corporate-governance/>.

## AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

### AUDITOR INDEPENDENCE

The Directors' received the Independence Declaration, as set out on page 34, from Ernst & Young.

### NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services (refer to note 32):

	\$
Tax compliance services	47,000

### ROUNDING

The amounts contained in this financial report have been rounded to the nearest \$1,000 where rounding is applicable and where noted (\$'000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191 dated 24 March 2016. The Company is an entity to which this legislative instrument applies.

Signed in accordance with a resolution of the Directors.

  
**Brett Smith**  
**Executive Director**  
Perth, 15 September 2020

# AUDITOR'S INDEPENDENCE DECLARATION



Building a better  
working world

Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
ey.com/au

## Auditor's independence declaration to the Directors of Metals X Limited

As lead auditor for the audit of Metals X Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

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

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

*Ernst & Young*

Ernst & Young

Philip Teale  
Partner  
15 September 2020

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$'000	2019 \$'000
<b>Continuing operations</b>			
Revenue	5	143,449	204,722
Cost of sales	7(a)	(166,170)	(238,147)
<b>Gross loss</b>		<b>(22,721)</b>	<b>(33,425)</b>
Other income	6	671	935
Administration expenses	7(b)	(6,659)	(6,747)
Gain/(loss) on derivative instruments	7(c)	1,219	4,387
Finance costs	7(d)	(1,992)	(1,472)
Fair value change in financial assets	7(e)	(83)	(4,422)
Share-based payments	31	(137)	(694)
Fair value loss on provisionally priced trade receivables	12	(2,066)	(4,761)
Care and maintenance costs		(24,744)	-
Rehabilitation provision	24	(8,360)	-
Impairment loss on assets	39, 19	(15,363)	(64,200)
Exploration and evaluation expenditure written off	21	(105)	(6,570)
<b>Loss before income tax from continuing operations</b>		<b>(80,340)</b>	<b>(116,969)</b>
Income tax expense	8	-	-
<b>Loss for the period from continuing operations</b>		<b>(80,340)</b>	<b>(116,969)</b>
<b>Loss attributable to:</b>			
Members of the parent		(80,340)	(116,969)
		<b>(80,340)</b>	<b>(116,969)</b>
<b>Total comprehensive loss attributable to:</b>			
Members of the parent		(80,340)	(116,969)
		<b>(80,340)</b>	<b>(116,969)</b>
<b>Loss per share for the loss attributable to the ordinary equity holders of the parent (cents per share)</b>			
Basic loss per share	9	(9.45)	(17.17)
Diluted loss per share	9	(9.45)	(17.17)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2020 \$'000	2019 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	11	14,095	11,364
Trade and other receivables	12	6,153	16,545
Inventories	13	20,328	45,860
Prepayments	14	885	2,454
Derivative financial instruments	16	1,532	-
<b>Total current assets</b>		<b>42,993</b>	<b>76,223</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	15	9,978	10,772
Derivative financial instruments	17	-	45
Financial assets at fair value through profit and loss	18	50	243
Property, plant and equipment	19	43,315	46,466
Mine properties and development costs	20	39,633	42,547
Exploration and evaluation expenditure	21	13,993	10,179
<b>Total non-current assets</b>		<b>106,969</b>	<b>110,252</b>
<b>TOTAL ASSETS</b>		<b>149,962</b>	<b>186,475</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	7,518	25,442
Provisions	23	3,680	7,818
Interest bearing loans and borrowings	25	33,108	5,043
<b>Total current liabilities</b>		<b>44,306</b>	<b>38,303</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	24	51,397	42,269
Interest bearing loans and borrowings	26	2,468	4,310
<b>Total non-current liabilities</b>		<b>53,865</b>	<b>46,579</b>
<b>TOTAL LIABILITIES</b>		<b>98,171</b>	<b>84,882</b>
<b>NET ASSETS</b>		<b>51,791</b>	<b>101,593</b>
<b>EQUITY</b>			
Issued capital	28	332,406	302,005
Accumulated losses	29	(308,796)	(228,456)
Share based payments reserve	30	28,181	28,044
<b>TOTAL EQUITY</b>		<b>51,791</b>	<b>101,593</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$'000	2019 \$'000
<b>OPERATING ACTIVITIES</b>			
Receipts from customers		147,468	201,635
Interest received		441	816
Other income		230	97
Payments to suppliers and employees		(167,549)	(217,168)
Interest paid		(1,633)	(541)
<b>Net cash flows used in operating activities</b>	11	<b>(21,043)</b>	<b>(15,161)</b>
<b>INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(10,405)	(10,846)
Payments for mine properties and development		(18,230)	(34,516)
Payments for exploration and evaluation		(3,919)	(5,506)
Proceeds from sale of property, plant and equipment		319	15
Proceeds from sale of equity instruments		155	4,543
<b>Net cash flows used in investing activities</b>		<b>(32,080)</b>	<b>(46,310)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings		34,899	-
Repayment of borrowings		(4,814)	-
Payment of lease liabilities and hire purchase liabilities		(5,369)	(5,352)
Payments for dividends		(58)	(6)
Proceeds from share issue		32,731	50,000
Payments for share issue costs		(2,330)	(2,582)
Payments for performance bond facility		-	(460)
Proceeds from performance bond facility		795	-
<b>Net cash flows from financing activities</b>		<b>55,854</b>	<b>41,600</b>
Net increase/(decrease) in cash and cash equivalents		2,731	(19,871)
Cash and cash equivalents at the beginning of the financial period		11,364	31,235
<b>Cash and cash equivalents at the end of the period</b>	11	<b>14,095</b>	<b>11,364</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

## At 1 July 2018

Loss for the year

Other comprehensive income, net of tax

**Total comprehensive (loss)/profit for the year net of tax**

**Transactions with owners in their capacity as owners**

Share based payments

Issue of share capital

Share issue costs

**At 30 June 2019**

## 2020

**At 1 July 2019**

Loss for the year

Other comprehensive income, net of tax

**Total comprehensive (loss)/profit for the year net of tax**

**Transactions with owners in their capacity as owners**

Share based payments

Issue of share capital

Share issue costs

**At 30 June 2020**

Issued capital \$'000	Accumulated losses \$'000	Share based payments reserve \$'000	Fair value reserves \$'000	Total Equity \$'000
<b>254,587</b>	<b>(111,487)</b>	<b>27,350</b>	-	<b>170,450</b>
-	(116,969)	-	-	(116,969)
-	-	-	-	-
-	(116,969)	-	-	(116,969)
-	-	694	-	694
50,000	-	-	-	50,000
(2,582)	-	-	-	(2,582)
<b>302,005</b>	<b>(228,456)</b>	<b>28,044</b>	-	<b>101,593</b>
<b>302,005</b>	<b>(228,456)</b>	<b>28,044</b>	-	<b>101,593</b>
-	(80,340)	-	-	(80,340)
-	-	-	-	-
302,005	(308,796)	28,044	-	21,253
-	-	137	-	137
32,731	-	-	-	32,731
(2,330)	-	-	-	(2,330)
<b>332,406</b>	<b>(308,796)</b>	<b>28,181</b>	-	<b>51,791</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

## 1. CORPORATE INFORMATION

The financial report of Metals X Limited for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Directors on 2 September 2020.

Metals X Limited (the **Company**, or the **Parent**) is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements comprise the financial statements of Metals X Limited and its subsidiaries (the **Consolidated Entity**).

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 SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for certain financial instruments measured at fair value through profit and loss.

The amounts contained in the financial statements have been rounded to the nearest thousand dollars unless otherwise stated (where rounding is applicable) under the option available to the Consolidated Entity under ASIC Corporations (Rounding in Financial Report) Instrument 2016/191.

The financial report is presented in Australian dollars.

### (b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board.

### (c) Going concern basis of preparation

The Consolidated Entity incurred a net loss after income tax of \$80,340,000 for the year ended 30 June 2020 (2019: \$116,969,000) which includes an impairment loss on assets of \$15,363,000 (2019: \$64,200,000) and a net operating and investing cash outflow of \$53,123,000 (2019: \$61,471,000). As at 30 June 2020 the Consolidated Entity had cash and cash equivalents of \$14,095,000 (2019: \$11,364,000) and a net current asset deficit of \$1,313,000 (2019: \$37,921,000 surplus). COVID-19 did not significantly contribute to these losses nor did it have a significant adverse impact on the Company during the period.

On 26 November 2019 the Company announced that the Nifty operations were suspended and were subsequently placed into care and maintenance. In January 2020 the Company announced that it had commenced a strategic review of its Copper Assets to explore all options including joint arrangements and the partial or complete divestment of some or all of the assets. In June 2020 the Company announced that it had signed a binding Farm-in and Joint Venture Term Sheet with IGO on the Company's Paterson Exploration Project (refer to review of operations on page 3). On 2 July 2020 the Company announced that the Board had resolved to seek offers for the proposed sale of its entire Copper Asset portfolio.

In August 2019, the Company entered into a facility agreement with Citibank N.A. (**Citi**) for a \$35,000,000 secured term loan facility (**Citi Facility**). The Citi Facility was fully utilized and the principal outstanding at 30 June 2020 was \$30,462,000. Under the Citi Facility the Company was required to remain within certain financial covenants which are measured for compliance at the end of each calendar quarter. For the quarter ending 30 June 2020 the Company did not meet the Forecast Cash Flow Cover Ratio (**Forecast CFCR**) nor the Forward Debt Service Cover Ratio (**Forecast DSCR**). The principal reason the Forecast CFCR and the Forward DSCR were not met was the decision to proceed with the Area 5 development with associated capital expenditure for the Consolidated Entities 50% share being \$25 million – 27.5 million over the next two years.

On 27 July 2020, the Company entered into a loan facility with Asia Cheer Trading Limited (ACT) for a \$26,000,000 unsecured six month term loan facility (ACT Loan) ending on 31 January 2021. The funds from the ACT Loan were to be applied to the repayment of the amount outstanding pursuant to the Citi Facility. A further condition of the ACT Loan is that the net proceeds from the sale of Nifty or any capital raising undertaken by the Company during the loan term must be paid to the lender in permanent reduction of the Principal Amount (refer to note 40). On 31 July 2020, the Company settled the Citi Facility in full by repaying the outstanding principal and accrued interest of \$30,556,000.

On 21 August 2020, ACT provided the Company with a waiver of the mandatory repayment of the loan from the sale of the Copper Assets or any capital raising undertaken by the Company if required to assist with management of working capital. On 31 August 2020, ACT advised the Company that if required, the ACT Loan will be amended to increase the commitment by \$5,000,000 to \$31,000,000 and extend the repayment date to 31 July 2021. If the amendments are required the Company is to provide ACT with a formal written notice prior to 31 October 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## (c) Going concern basis of preparation (cont.)

Based on the Consolidated Entity's cash flow forecast the Board of Directors is aware of the Consolidated Entity's need to access additional working capital to enable the Consolidated Entity to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due, including progression of its exploration interests.

The Directors are satisfied that at the date of signing of the financial report, there are reasonable grounds to believe that the Consolidated Entity will be able to continue to meet its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis. The directors have based this on the following pertinent matters:

- The Directors regularly monitor the Consolidated Entity's cash position and, on an on-going basis, consider a number of strategic initiatives to ensure that adequate funding continues to be available.
- The Directors have determined that future equity raisings and / or the sale of the Copper Assets will be required to provide funding for the Consolidated Entity's activities and to meet its objectives.
- The Directors believe that future funding will be available to meet the Consolidated Entity's objectives and debts as and when they fall due.

Should the Consolidated Entity not achieve the matters set out above, there is significant uncertainty whether it will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

## (d) New and amended accounting standards and interpretations

Since 1 July 2019, the Consolidated Entity has adopted all Accounting Standards and Interpretations effective from 1 July 2019. 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.

## (e) Change in accounting policies and disclosures

### AASB 16 Leases

The Consolidated Entity adopted AASB 16 as of 1 July 2019.

The leases recognised by the Consolidated Entity under AASB 16 predominantly relate to mobile property, plant and equipment and property. AASB 16 provides a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. The depreciation of the lease assets and interest on the lease liabilities are recognised in the Consolidated statement of comprehensive income.

Before the adoption of AASB 16, the Consolidated Entity classified each of its leases (as lessee) at inception as either a finance lease or operating lease. For operating leases, the leased item was not capitalised and the lease payments were recognised in the consolidated income statement on a straight-line basis.

### Transition to AASB 16

The Consolidated Entity adopted the new standard using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117. Lease liabilities are measured at the present value of future payments on the initial date of application, being 1 July 2019. The Consolidated Entity applied the practical expedient allowing the application of a single discount rate to a portfolio of leases with similar characteristics and applied the short-term leases exemptions to leases with lease terms that end within 12 months of the date of initial application.

On transition to AASB 16, the Consolidated Entity recognised \$775,771 of right-of use assets and lease liabilities. When measuring lease liabilities, the Consolidated Entity discounts lease payments using its incremental borrowing rate at 1 July 2019. The weighted average incremental borrowing rate applied was 5.2%.

	\$'000
Operating lease commitment at 30 June 2019 as disclosed in the Consolidated Entity's financial statements	833
Discounted using the incremental borrowing rate	(43)
Recognition exemption for short term leases	(14)
<b>Total lease liabilities recognised at 1 July 2019</b>	<b>776</b>

The impact on cash flows on the adoption of AASB 16 is the payment of principal for operating leases, previously classified as operating activities, is now classified as financing activities in the statement of cash flow.

**(e) Change in accounting policies and disclosures (cont.)**

**AASB 16 Leases (cont.)**

*Policy applied from 1 July 2019: Group as a lessee*

Leases as a lessee Lease assets and lease liabilities are recognised at the lease commencement date, which is when the assets are available for use. The assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any make-good obligations and initial direct costs incurred.

Lease assets are depreciated using the straight-line method over the shorter of their useful life and the lease term. Periodic adjustments are made for any re-measurements of the lease liabilities and for impairment losses, assessed in accordance with the Consolidated Entity's impairment policies.

Lease liabilities are initially measured at the present value of future minimum lease payments, discounted using the Consolidated Entity's incremental borrowing rate if the rate implicit in the lease cannot be readily determined, and are subsequently measured at amortised cost using the effective interest rate. Minimum lease payments are fixed payments or index-based variable payments incorporating the Consolidated Entity's expectations of extension options and do not include non-lease components of a contract.

The lease liability is remeasured when there are changes in future lease payments arising from a change in rates, index or lease terms from exercising an extension or termination option. A corresponding adjustment is made to the carrying amount of the lease assets, with any excess recognised in the consolidated income statement.

**Short-term leases and lease of low value assets**

The Consolidated Entity has elected not to recognise assets and lease liabilities for short term leases (lease term of 12 months or less) and leases of low value assets. The Consolidated Entity recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**AASB Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 Income Taxes. It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

Whether an entity considers uncertain tax treatments separately;

- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Consolidated Entity applies significant judgement in identifying uncertainties over income tax treatments. The Consolidated Entity assessed that the interpretation has not had an impact on the consolidated financial statements of the Consolidated Entity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## (f) New and amended Accounting Standards issued but not yet effective

Certain new and amended accounting standards and interpretations have been issued that are not mandatory for 30 June 2020 reporting periods. These standards and interpretations have not been early adopted.

Reference	Title	Summary	Impact on Metals X	Application date of standard*	Application date for Consolidated Entity*
AASB 2018-7	Definition of Material	The amendments align the definition of 'material' across AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, and clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.	The Company is still assessing whether there will be any material impact.	1 January 2020	1 July 2020
AASB 2018-6	Amendments to AASBs – Definition of a Business	The definition of a business helps entities to distinguish business combinations from asset purchases. Business combinations are accounted for using the acquisition method, which, among other things, may give rise to goodwill.  Accounting treatments for other types of transactions may also be affected, depending on whether the transaction involves a business (e.g., A loss of control transaction where a retained interest is accounted for using the equity method).  With the aim of helping companies determine whether an acquired set of activities and assets is a business, the amendments to AASB 3: <ul style="list-style-type: none"> <li>Clarify the minimum requirements for a business to exist</li> <li>Remove the assessment of whether market participants are capable of replacing missing elements of a business</li> <li>Provide guidance to help entities assess whether an acquired process is substantive</li> <li>Narrow the definitions of a business and of outputs</li> <li>Introduce an optional fair value concentration test to identify a business</li> </ul>	The amendments is not expected to have a significant impact on the Company	1 January 2020	1 July 2020
AASB 2014-10	Amendments to AASBs – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments to AASB 10 Consolidated Financial Statements and AASB 128 clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.	The Company is still assessing whether there will be any material impact.	1 January 2022	1 July 2022

Reference	Title	Summary	Impact on Metals X	Application date of standard*	Application date for Consolidated Entity*
AASB 2020-1	Amendments to AASBs – Classification of Liabilities as Current or Non-current	<p>A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 to clarify the requirements for classifying liabilities as current or non-current. Specifically:</p> <ul style="list-style-type: none"> <li>• The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.</li> <li>• Management intention or expectation does not affect classification of liabilities.</li> <li>• In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current.</li> </ul>	The Company is still assessing whether there will be any material impact.	1 January 2022	1 July 2022
Conceptual Framework AASB 2019-1 AASB 2020-3	Conceptual Framework for Financial Reporting Amendments to Australian Accounting Standards – Reference to the Conceptual Framework	<p>The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:</p> <ul style="list-style-type: none"> <li>• Chapter 1 – The objective of financial reporting</li> <li>• Chapter 2 – Qualitative characteristics of useful financial information</li> <li>• Chapter 3 – Financial statements and the reporting entity</li> <li>• Chapter 4 – The elements of financial statements</li> <li>• Chapter 5 – Recognition and derecognition</li> <li>• Chapter 6 – Measurement</li> <li>• Chapter 7 – Presentation and disclosure</li> <li>• Chapter 8 – Concepts of capital and capital maintenance</li> </ul> <p>AASB 2019-1 has also been issued, which sets out the amendments to other pronouncements for references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of accounting standards in situations where no standard applies to a particular transaction or event. In addition, relief has been provided in applying AASB 3 and developing accounting policies for regulatory account balances using AASB 108, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the Framework for the Preparation and Presentation of Financial Statements (July 2004), and not the definitions in the revised Conceptual Framework.</p>	The Company is still assessing whether there will be any material impact.	1 January 2020	1 July 2020

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (g) Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent entity and its subsidiaries ('the Consolidated Entity') as at 30 June each year. Control is achieved when the Consolidated Entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Consolidated Entity controls an investee if and only if the Consolidated Entity has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Consolidated Entity has less than a majority of the voting or similar rights of an investee, the Consolidated Entity considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Consolidated Entity's voting rights and potential voting rights

The Consolidated Entity re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Consolidated Entity obtains control over the subsidiary and ceases when the Consolidated Entity loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Consolidated Entity gains control until the date the Consolidated Entity ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Consolidated Entity and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Consolidated Entity's accounting policies. All intra-Consolidated Entity assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Consolidated Entity are eliminated in full on consolidation.

### (h) Foreign currency translation

#### (i) Functional and presentation currency

Both the functional and presentation currency of the Company and its Australian subsidiaries is Australian dollars (A\$).

#### (ii) Transactions and balances

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

All exchange differences in the consolidated financial report are taken to the profit or loss.

### (i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### (j) Goods and services taxes (GST)

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

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (k) Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant in understanding of the financial statements are provided throughout the notes to the financial statements.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements have been made as well as the following key estimates and assumptions that have the most significant impact on the financial statements. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

The COVID-19 pandemic was rapid and Metals X took immediate action to protect the integrity of the Company's business interests and the safety and well-being of its employees and stakeholders. Prompt implementation and affirmative compliance with government and health bodies forced quick change to operating processes. Metals X operates a number of isolated and remote mining areas, therefore travel restrictions, social distancing and isolation practices had some impacts on the Consolidated Entity. This resulted in changes to rosters and transport to comply with Government restrictions. However, the net impact on the Consolidated Entity's output has been minimal and estimated at less than 1%. Cost impacts as a result of changed practices are estimated to be minor at less than 1%.

Note	Key estimate or judgement
5. Revenue	<ul style="list-style-type: none"><li>• Identification of the enforceable contract</li><li>• Identification of performance obligations for arrangements subject to CIF Incoterms</li><li>• Principal versus agent considerations – freight/shipping services</li><li>• Determining the timing of satisfaction of freight/shipping services</li></ul>
19. Property, plant and equipment and depreciation	<ul style="list-style-type: none"><li>• Life of mine method of amortisation and depreciation</li><li>• Impairment of property, plant and equipment as disclosed in Note 39</li></ul>
20. Mine property and development and amortisation	<ul style="list-style-type: none"><li>• Determination of mineral resources and ore reserves</li><li>• Life of mine method of amortisation and depreciation as disclosed in Note 19</li><li>• Impairment of capitalised mine development expenditure as disclosed in Note 39</li></ul>
21. Exploration expenditure	<ul style="list-style-type: none"><li>• Impairment of capitalised exploration and evaluation expenditure</li></ul>
24. Provisions	<ul style="list-style-type: none"><li>• Mine rehabilitation provision</li></ul>
39. Impairment	<ul style="list-style-type: none"><li>• Impairment of inventory, property, plant and equipment and capitalised mine development expenditure</li></ul>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Consolidated Entity's principal financial instruments comprise receivables, payables, lease liabilities, cash and short-term deposits, derivative financial instruments and equity investments.

### Risk exposures and responses

The Consolidated Entity manages its exposure to key financial risks in accordance with the Consolidated Entity's financial risk management policy. The objective of the policy is to support the delivery of the Consolidated Entity's financial targets while protecting future financial security.

The Consolidated Entity enters into derivative transactions, principally forward commodity swaps. The purpose is to manage the commodity price risks arising from the Consolidated Entity's operations. These derivatives provide economic hedges, but do not qualify for hedge accounting and are based on limits set by the board. The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, foreign currency risk, commodity risk, credit risk, equity price risk and liquidity risk. The Consolidated Entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate, foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the notes to the financial statements.

The accounting classification of each category of financial instruments as defined in the notes to the financial statements, and their carrying amounts, are set out below:

### (a) Interest rate risk

The Consolidated Entity's exposure to risks of changes in market interest rates relate primarily to the Consolidated Entity's interest bearing loans, trade receivables at fair value through the profit and loss, other receivables, derivatives financial instruments and cash balances. The Consolidated Entity's policy is to manage its interest cost using fixed rate debt where possible. The Citi Finance Facility has a variable interest rate that is on commercial terms. Under the Citi Finance Facility the Company selects a three month interest repayment period to minimise the interest rate risk exposure. The Consolidated Entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. The sensitivity analysis is for variable rate interest bearing loans and cash balances.

At 30 June 2020, if interest rates had moved by a reasonably possible 0.25%, as illustrated in the table below, with all other variables held constant, post tax profits and equity would have been affected as follows:

Post tax profit higher/(lower)		Other Comprehensive Income higher/(lower)	
2020	2019	2020	2019
\$'000	\$'000	\$'000	\$'000

Judgements of reasonably possible movements:

+ 0.25% (25 basis points)	(23)	24	-	-
- 0.25% (25 basis points)	23	(24)	-	-

A sensitivity of +0.25% or -0.25% has been selected as this is considered reasonable given the current level of short-term and long-term interest rates. The movements in profit are due to possible higher or lower interest payable or receivable from variable rate interest bearing loans and cash balances. The sensitivity is higher in 2020 than 2019 due to the \$35,000,000 Citi Finance Facility entered into during the period.

At the reporting date the Consolidated Entity's exposure to interest rate risk for classes of financial assets and financial liabilities is set out below.

#### 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

2020 (\$'000)	Floating interest rate or at fair value	Fixed interest	Non-Interest bearing	Total carrying amount
<b>Financial Assets</b>				
Cash and cash equivalents	9,674	74	4,347	14,095
Trade receivables at fair value through the profit and loss	1,812	-	-	1,812
Other receivables	4,077	-	266	4,342
Other financial assets	-	9,978	-	9,978
Derivative financial instruments	1,532	-	-	1,532
	<b>17,095</b>	<b>10,052</b>	<b>4,613</b>	<b>31,759</b>
<b>Financial Liabilities</b>				
Trade and other payables	-	-	(7,518)	(7,518)
Interest bearing liabilities	(30,186)	(5,390)	-	(35,576)
	<b>(30,186)</b>	<b>(5,390)</b>	<b>(7,518)</b>	<b>(43,094)</b>
<b>Net financial assets/(liabilities)</b>				<b>(11,335)</b>

2019 (\$'000)	Floating interest rate or at fair value	Fixed interest	Non-Interest bearing	Total carrying amount
<b>Financial Assets</b>				
Cash and cash equivalents	729	174	10,461	11,364
Trade receivables at fair value through the profit and loss	8,212	-	-	8,212
Trade receivables at amortised cost	4,824	-	3,509	8,333
Other financial assets	-	10,772	-	10,772
	<b>13,765</b>	<b>10,946</b>	<b>13,970</b>	<b>38,681</b>
<b>Financial Liabilities</b>				
Trade and other payables	-	-	(25,442)	(25,442)
Interest bearing liabilities	-	(9,354)	-	(9,354)
	-	<b>(9,354)</b>	<b>(25,442)</b>	<b>(34,796)</b>
<b>Net financial assets/(liabilities)</b>				<b>3,885</b>

#### (b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Consolidated Entity is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Cash and cash equivalents and other financial assets are held with ANZ Bank which is an Australian Bank with an AA- credit rating (Standard & Poor's). The Consolidated Entity's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note).

The Consolidated Entity does not hold any credit derivatives to offset its credit exposure.

The Consolidated Entity trades only with recognised, creditworthy third parties and as such collateral, letters of credit or other forms of credit insurance is not requested nor is it the Consolidated Entity's policy to securitise its trade and other loans and receivables. The Consolidated Entity evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and operate in largely independent markets.

Receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity does not have a significant exposure to bad debts.

Significant concentrations of credit risk are in relation to cash and cash equivalents with Australian banks.

At 30 June 2020, the Consolidated Entity had two customers (2019: three customers) that each owed the Consolidated Entity \$1,201,000 and \$611,000 respectively and accounted for approximately 29% (2019: 56%) of all receivables owing.

At 30 June 2020, there are no material trade receivables at amortised cost that are past due.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

### (c) Price risk

#### Equity Security Price Risk

The Consolidated Entity's revenues are exposed to equity security price fluctuations arising from investments in equity securities.

At 30 June 2020, if equity security prices had moved by a reasonably possible 20%, as illustrated in the table below, with all other variables held constant, post tax profits and equity would have been affected as follows:

Post tax profit higher/(lower)		Other Comprehensive Income higher/(lower)	
2020	2019	2020	2019
\$'000	\$'000	\$'000	\$'000

Judgements of reasonably possible movements:

Price + 20%	9	46	-	1,289
Price - 20% *	(9)	(46)	-	-

\* Provided the decline is below cost and is significant or prolonged.

A sensitivity of +20% or -20% has been selected as this is considered reasonable given recent fluctuations in equity prices and management's expectations of future movements. The movements in profit or loss for 2020 are due to possible higher or lower equity security prices from investments in equity securities that are classified as financial assets at fair value through profit and loss.

### (d) Foreign currency risk

As a result of tin and copper concentrate sales receipts being denominated in US dollars, the Consolidated Entity's cash flows can be affected by movements in the US dollar/Australian dollar exchange rate.

At the balance date the Consolidated Entity had the following exposure to US dollar foreign currency:

	2020 \$'000	2019 \$'000
Cash and cash equivalents	4,347	10,461
Trade and other receivables	1,812	8,211
	<b>6,159</b>	<b>18,672</b>

At 30 June 2020, if foreign currency rates had moved by a reasonably possible 10%, as illustrated in the table below, with all other variables held constant, post tax profits and equity would have been affected as follows:

Post tax profit higher/(lower)		Other Comprehensive Income higher/(lower)	
2020	2019	2020	2019
\$'000	\$'000	\$'000	\$'000

Judgements of reasonably possible movements:

A\$/US\$ Price +10%	616	1,867	-	-
A\$/US\$ Price -10%	(616)	(1,867)	-	-

A sensitivity of +10% or -10% has been selected as this is considered reasonable given recent fluctuations in foreign currency rates and management's expectations of future movements. The overall sensitivity for post-tax profits in 2020 is lower than 2019 due to a decrease in the value exposed to fluctuations in US dollar foreign currency.

#### 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

##### (e) Commodity price risk

The Consolidated Entity's revenues are exposed to commodity price fluctuations. Periodically the Consolidated Entity enters into contracts to manage commodity price risk.

	2020 \$'000	2019 \$'000
Gross value of open copper concentrate positions *	-	28,864
Derivative financial instruments **	1,532	-
	<b>1,532</b>	<b>28,864</b>

\* This relates to the provisional amount of copper tonnes remaining open to price adjustments (gross sales) at the end of the period. Refer to note 12 for the open quantity.

\*\* This relates to forward commodity swaps for 2,010 tonnes of tin at an average price of \$24,911 per tonne of tin. The fair value is based on the applicable LME forward prices. (refer to note 16).

At 30 June 2020, if forward commodity swaps prices had moved by a reasonably possible 3.1%, as illustrated in the table below, with all other variables held constant, post tax A sensitivity of +3.1% or -3.1% has been selected as this is considered reasonable given recent fluctuations in commodity prices and management's expectations of future movements. The overall sensitivity for post-tax profits in 2020 is higher than 2019 as the Company only entered into the commodity swaps in 2020 in conjunction with the Citi Finance Facility.

Post tax profit higher/(lower)		Other Comprehensive Income higher/(lower)	
2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000

Judgements of reasonably possible movements:

Forward tin price +3.1%	1,532	-	-	-
Forward tin price -3.1%	(1,532)	-	-	-

##### (f) Liquidity risk

Liquidity risk arises from the financial liabilities of the Consolidated Entity and the subsequent ability to meet the obligations to repay the financial liabilities as and when they fall due.

The Consolidated Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of finance and hire purchase leases.

The tables below reflect all contractually fixed payables for settlement, repayment and interest resulting from recognised financial liabilities as of 30 June 2020. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing as 30 June.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

The remaining contractual maturities of the Consolidated Entity's financial instruments are:

### (f) Liquidity risk (cont.)

2020 (\$'000)	<6 months	6-12 months	1-5 years	>5 years	Total
<b>Financial assets</b>					
Cash and equivalents	14,243	-	-	-	14,243
Trade and other receivables	4,342	-	-	-	4,342
Other financial assets	10,082	-	-	-	10,082
	28,667	-	-	-	28,667
<b>Financial liabilities</b>					
Trade and other payables	(7,518)	-	-	-	(7,518)
Lease Liabilities	(1,844)	(1,007)	(2,433)	-	(5,284)
Hire purchase liabilities	(135)	(64)	(143)	-	(342)
Interest bearing loans	(31,510)	-	-	-	(31,510)
	(41,007)	(1,071)	(2,576)	-	(44,654)
<b>Net inflow/(outflow)</b>	<b>(12,340)</b>	<b>(1,071)</b>	<b>(2,576)</b>	<b>-</b>	<b>(15,987)</b>

2019 (\$'000)	<6 months	6-12 months	1-5 years	>5 years	Total
<b>Financial assets</b>					
Cash and equivalents	11,581	-	-	-	11,581
Trade and other receivables	8,334	-	-	-	8,334
Other financial assets	10,976	-	-	-	10,976
	30,891	-	-	-	30,891
<b>Financial liabilities</b>					
Trade and other payables	(25,442)	-	-	-	(25,442)
Hire purchase liabilities	(2,651)	(2,650)	(4,531)	-	(9,833)
	(28,093)	(2,650)	(4,531)	-	(35,275)
<b>Net inflow/(outflow)</b>	<b>2,798</b>	<b>(2,650)</b>	<b>(4,531)</b>	<b>-</b>	<b>(4,384)</b>

### (g) Fair values

For all financial assets and liabilities recognised in the statement of financial position, carrying amount approximates fair value unless otherwise stated in the applicable notes.

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

The Consolidated Entity uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 - the fair value is calculated using quoted prices in active markets.
- Level 2 - the fair value is estimated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from price).
- Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

#### 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

##### (g) Fair values (cont.)

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

2020 (\$'000)				
	Quoted market price (Level 1)	Valuation technique market observable inputs (Level 2)	Valuation technique non market observable inputs (Level 3)	Total
<b>Financial Assets</b>				
Trade receivables				
Tin sales <sup>1</sup>	-	1,812	-	<b>1,812</b>
Equity investments				
Listed investments <sup>2</sup>	50	-	-	<b>50</b>
Derivatives				
Forward commodity swaps <sup>3</sup>	-	1,532	-	<b>1,532</b>
	<b>50</b>	<b>3,344</b>	-	<b>3,394</b>

2019 (\$'000)				
	Quoted market price (Level 1)	Valuation technique market observable inputs (Level 2)	Valuation technique non market observable inputs (Level 3)	Total
<b>Financial Assets</b>				
Trade receivables				
Tin sales <sup>1</sup>	-	2	-	<b>2</b>
Copper sales <sup>1</sup>	-	8,212	-	<b>8,212</b>
Equity investments				
Listed investments <sup>2</sup>	243	-	-	<b>243</b>
Derivatives				
Listed investments <sup>2</sup>	-	38	-	<b>38</b>
Unlisted investments <sup>4</sup>	-	7	-	<b>7</b>
	<b>243</b>	<b>8,259</b>	-	<b>8,502</b>

- The fair value of trade receivables relates to tin and copper concentrate provisionally sold at the reporting date. The Consolidated Entity's sales of metal in concentrate allow for price adjustments based on the market price at the end of the 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. The fair value is based on the applicable KLM or LME spot prices. 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. Refer to note 2(y) for further details.
- 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.
- The forward commodity swaps relate to derivatives of 2,010 tonnes of tin at an average price of \$24,911 per tonne of tin. The fair value is based on the applicable LME forward prices as at the reporting date.
- The unlisted investment related to 1,500,000 unlisted options in Brainchip Holdings Limited which expired unexercised on 31 May 2020. In 2019 the fair value was determined using a Black & Scholes model, which took into account 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:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

### (g) Fair values (cont.)

Details	2019
Expected Volatility (%)	93%
Risk-free interest rate (%)	1.04%
Expected life of options (yrs)	0.92
Options exercise price (\$)	\$0.23
Share price at grant date (\$)	\$0.072

#### 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.

### (h) Changes in liabilities arising from financing activities

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, including obligations under finance leases and hire purchase contracts to current due to the passage of time. The Consolidated Entity classifies interest paid as cash flows from operating activities.

	1 July 2019 *	Cash flows	New leases	Disposals	New loans	Other	30 June 2020
	\$'000						\$'000
Current interest bearing loans and borrowings	5,495	(10,184)	4,266	(4,390)	35,000	2,921	33,108
Non-current interest bearing loans and borrowings	4,634	-	755	-	-	(2,921)	2,468
<b>Total liabilities from financing activities</b>	<b>10,129</b>	<b>(10,184)</b>	<b>5,021</b>	<b>(4,390)</b>	<b>35,000</b>	<b>-</b>	<b>35,576</b>

	1 July 2018	Cash flows	New leases	Disposals	New loans	Other	30 June 2019
	\$'000						\$'000
Current interest bearing loans and borrowings	4,848	(5,352)	504	-	-	5,042	5,042
Non-current interest bearing loans and borrowings	5,523	-	3,830	-	-	(5,042)	4,311
<b>Total liabilities from financing activities</b>	<b>10,371</b>	<b>(5,352)</b>	<b>4,334</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,353</b>

\* This includes leases transitioned under AASB 16 of \$776,000.

## 5. REVENUE

Tin concentrate sales  
Copper concentrate sales (a)  
**Total revenue from contracts with customers**

2020	2019
\$'000	\$'000
73,243	85,276
70,206	119,446
<b>143,449</b>	<b>204,722</b>

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

### Recognition and measurement

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 cost, insurance and freight (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.

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 Quotational Period (QP), and a corresponding trade receivable is recognised.

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.

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 *Financial Instruments* ("AASB 9") and not within the scope of AASB 15 *Revenue from Contracts with Customers* ("AASB 15").

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. This is generally not material at the balance sheet date. 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 5. REVENUE (CONT.)

### Key estimates and judgements

#### Revenue from contracts with customers

- **Identification of the enforceable contract**

For copper and tin in concentrate (metal in concentrate) sales, there are master services agreements with key customers that set out the general terms and conditions governing any sales that occur. The customer is only obliged to purchase copper and tin in concentrate when it places an order for each shipment. Therefore, the enforceable contract has been determined to be each purchase order.

- **Identification of performance obligations for arrangements subject to CIF Incoterms**

A proportion of the Consolidated Entity's metal in concentrate sales subject to CIF Incoterms, whereby the Consolidated Entity is responsible for providing freight/shipping services. The freight/shipping services are a promise to transfer services in the future and are part of the negotiated exchange between the Consolidated Entity and the customer. The Consolidated Entity determined that both the metal in concentrate and the freight/shipping services are capable of being distinct as the customer can benefit from both products on their own. The Consolidated Entity also determined that the promises to transfer the metal in concentrate and the freight/shipping services are distinct within the context of the contract. Consequently, the Consolidated Entity allocated a portion of the transaction price to the metal in concentrate and the freight/shipping services based on relative stand-alone selling prices.

- **Principal versus agent considerations – freight/shipping services**

As noted above, in some arrangements subject to CIF Incoterms, the Consolidated Entity is responsible for providing freight/shipping services. While the Consolidated Entity does not actually provide nor operate the vessels, the Consolidated Entity has determined that it is principal in these arrangements because it has concluded it controls the specified services before they are provided to the customer. This is on the basis that the Consolidated Entity obtains control of a right to freight/shipping services after entering into the contract with the customer, but before those services are provided to the customer. The terms of the Consolidated Entity's contract with the service provider give the Consolidated Entity the ability to direct the service provider to provide the specified services on the Consolidated Entity's behalf.

In addition, the Consolidated Entity has concluded that the following indicators provide evidence that it controls the freight/shipping services before they are provided to the customer:

- ▶ The Consolidated Entity is primarily responsible for fulfilling the promise to provide freight/shipping services. Although the Consolidated Entity has hired a service provider to perform the services promised to the customer, it is the Consolidated Entity itself that is responsible for ensuring that the services are performed and are acceptable to the customer (i.e., the Consolidated Entity is responsible for fulfilment of the promise in the contract, regardless of whether the Consolidated Entity performs the services itself or engages a third-party service provider to perform the services).
- ▶ The Consolidated Entity has discretion in setting the price for the services to the customer as this is negotiated directly with the customer.

- **Determining the timing of satisfaction of freight/shipping services**

The Consolidated Entity concluded that revenue for freight/shipping services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Consolidated Entity. The fact that another entity would not need to re-perform the freight/shipping services that the Consolidated Entity has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Consolidated Entity's performance as it performs. The Consolidated Entity determined that the input method is the best method for measuring progress of the freight/shipping services because there is a direct relationship between the Consolidated Entity's effort (i.e., time elapsed) and the transfer of service to the customer. The Consolidated Entity recognises revenue on the basis of the time elapsed relative to the total expected time to complete the service.

## 6. OTHER INCOME

Interest revenue
Other income
<b>Total other income</b>

2020	2019
\$'000	\$'000
441	807
230	128
<b>671</b>	<b>935</b>

### Recognition and measurement

#### Interest revenue

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

## 7. EXPENSES

### (a) Cost of sales

Salaries, wages expense and other employee benefits
Superannuation expense
Other production costs
Write down in value of inventories to estimated net realisable value
Royalty expense

28,670	45,559
2,724	4,328
109,653	137,995
41	7,734
4,769	7,638

### Depreciation and amortisation expense

Depreciation of non-current assets
Property, plant and equipment
Buildings
Amortisation of non-current assets
Mine, properties and development costs

5,855	9,681
817	650
13,641	24,562

### Total cost of sales

<b>166,170</b>	<b>238,147</b>
----------------	----------------

### (b) Administration expenses

#### Employee benefits expense

Salaries and wages expense
Directors' fees and other benefits
Superannuation expense
Other employee benefits

2,618	3,276
560	350
299	379
34	61
<b>3,511</b>	<b>4,066</b>

#### Other administration expenses

Consulting expenses
Travel and accommodation expenses
Operating lease costs
Stamp duty compliance refund
Net (gain)/loss on sale of assets
Administration costs

2,020	1,402
237	178
-	95
-	(114)
(319)	15
942	912
<b>2,880</b>	<b>2,488</b>

#### Depreciation expense

Depreciation of non-current assets
Property plant and equipment

268	193
-----	-----

### Total Administration expenses

<b>6,659</b>	<b>6,747</b>
--------------	--------------

### (c) Fair value change in derivative financial instruments

Foreign exchange gain
Commodity gain

375	908
844	3,479

### Total fair value change in derivative financial instruments

<b>1,219</b>	<b>4,387</b>
--------------	--------------

### (d) Finance costs

Interest
Borrowing costs
Unwinding of rehabilitation provision discount

1,663	629
102	-
227	843

### Total finance costs

<b>1,992</b>	<b>1,472</b>
--------------	--------------

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 7. EXPENSES (CONT.)

### (e) Fair value change in financial assets

	2020 \$'000	2019 \$'000
Fair value change in derivative financial instruments	-	(38)
Fair value change in financial assets through profit and loss	(83)	(4,384)
<b>Total fair value change in financial assets</b>	<b>(83)</b>	<b>(4,422)</b>
<b>Fair value movements in provisionally priced trade receivables</b>		
Fair value loss on provisionally priced trade receivables	(2,066)	(4,761)
<b>Total fair value movements in provisionally priced trade receivables</b>	<b>(2,066)</b>	<b>(4,761)</b>

### Recognition and measurement

#### *Salaries, wages expense and other employee benefits*

Salaries, wages and other employee benefits are recognised as and when employees render their services. Expenses for non-accumulating personal leave are recognised when the leave is taken and measured at the rates paid or payable. Refer to note 23 for the accounting policy relating to short term and long-term employee benefits.

#### *Finance costs*

Provisions and other payables are discounted to their present value when the effect of time value of money is significant. The impact of the unwinding of these discounts is reported in finance costs.

For policies of leases refer to note 27, depreciation notes 19 and 20 and share based payments note 31.

## 8. INCOME TAX

### (a) Major components of income tax expense:

#### **Income Statement**

##### *Current income tax expense*

Current income tax benefit	(25,432)	(20,290)
Adjustments in respect of current income tax of previous years	1,723	(8,275)

##### *Deferred income tax*

Relating to origination and reversal of temporary differences in current year	629	(15,242)
Derecognition of carry forward losses and other temporary differences	23,054	42,246
Adjustments in respect of current income tax of previous years	26	1,561

#### **Income tax reported in the income statement**

-

### (b) A reconciliation of income tax benefit and the product of accounting loss before income tax multiplied by the Consolidated Entity's applicable income tax rate is as follows:

<b>Total accounting loss before income tax</b>	<b>(80,340)</b>	<b>(116,969)</b>
At statutory income tax rate of 30% (2019: 30%)	(24,102)	(35,091)
Non-deductible items		
Share-based payments	41	208
Sundry items	3	7
Deductible items	(745)	(657)
Adjustments in respect of current income tax of previous years	1,749	(6,713)
Deferred tax asset not recognised	23,054	42,246
<b>Income tax expense/(benefit) reported in income the statement of comprehensive income</b>	<b>-</b>	<b>-</b>

## 8. INCOME TAX (CONT.)

(c) Deferred income tax at 30 June relates to the following:

	Statement of financial position		Statement of comprehensive income	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<b>Deferred tax liabilities</b>				
Exploration	(4,040)	(2,884)	1,156	(306)
Deferred mining	(9,052)	(9,307)	(255)	(10,774)
Mine site establishment and refurbishment	(2,729)	(3,334)	(605)	(533)
Consumables	(8,451)	(9,120)	(669)	285
Prepayments	-	(2)	(2)	2
Diesel rebate	(16)	(55)	(39)	15
<b>Gross deferred tax liabilities</b>	<b>(24,288)</b>	<b>(24,702)</b>		
<b>Deferred tax assets</b>				
Property, plant and equipment	14,731	15,858	1,127	404
Non-current financial assets	361	1,347	986	217
Derivative held for trading	-	26	26	(11)
Derivative Financial Instruments	(460)	-	460	323
Inventories	5,408	5,514	106	(2,704)
Legal costs	149	17	(132)	1
Accrued expenses	47	47	-	6
Provision for employee entitlements	1,330	2,741	1,411	(180)
Provision for fringe benefits tax	5	(1)	(6)	(31)
Provision for rehabilitation	15,194	12,285	(2,909)	(395)
Recognised tax losses	-	-	-	-
Unrecognised timing differences	(12,477)	(13,132)		
<b>Gross deferred tax assets</b>	<b>24,288</b>	<b>24,702</b>		
<b>Net deferred tax liabilities</b>	<b>-</b>	<b>-</b>		
Deferred tax income/(expense)			<b>655</b>	<b>(13,681)</b>

At 30 June 2020, there are unrecognised losses of \$254,543,000 (2019: \$229,302,000) for the Consolidated Entity, of which \$156,354,000 (2019: \$156,354,000) are subject to a restricted rate of utilisation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 8. INCOME TAX (CONT.)

### Recognition and measurement

#### *Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Consolidated Entity operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### *Deferred tax*

Deferred tax is provided for using the balance sheet full liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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

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

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### *Tax consolidation legislation*

Metals X Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2004. The head entity, Metals X Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Consolidated Entity has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payments obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Members of the group have also entered into tax sharing agreements. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the controlled entities intercompany accounts with the tax consolidated group head company, Metals X Limited. The nature of the tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

## 9. EARNINGS PER SHARE

The following reflects the data used in the basic and diluted earnings per share computations.

	2020 \$'000	2019 \$'000
<b>(a) Earnings used in calculating earnings per share</b>		
<b>For basic earnings per share:</b>		
Loss attributable to continuing operations	(80,340)	(116,969)
<b>Loss attributable to ordinary equity holders of the parent</b>	<b>(80,340)</b>	<b>(116,969)</b>
<i>Basic loss per share (cents)</i>	<i>(9.45)</i>	<i>(17.17)</i>
<b>For diluted earnings per share:</b>		
Loss attributable to continuing operations	(80,340)	(116,969)
<b>Loss attributable to ordinary equity holders of the parent</b>	<b>(80,340)</b>	<b>(116,969)</b>
<i>Fully diluted loss per share (cents)</i>	<i>(9.45)</i>	<i>(17.17)</i>
<b>(b) Weighted average number of shares</b>		
Weighted average number of ordinary shares for basic earnings per share	849,818	681,263
Effect of Dilution:		
Share Options	-	-
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>849,818</b>	<b>681,263</b>

### Recognition and measurement

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent adjusted for:

- cost of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised; and
- other non-discriminatory changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

The Company had 11,984,332 (2019: 29,173,202) share and performance options on issue that are excluded from the calculation of diluted earnings per share for the current financial period because they are considered contingently issuable shares or anti-dilutive.

There have been no transactions involving ordinary shares or potential ordinary shares since that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and before the completion of these financial statements.

## 10. DIVIDENDS PAID AND PROPOSED

	2020 \$'000	2019 \$'000
<b>Dividends declared and paid during the financial year</b>		
Dividends declared for 2020: nil (2019: nil)	-	-
<b>Total dividends</b>	<b>-</b>	<b>-</b>
<b>Dividends proposed but not recognised as a liability</b>		
Final dividend for 2020: nil (2019: nil)	-	-
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 30% (2019: 30%)	2	2
<b>The amount of franking credits available for future reporting years</b>	<b>2</b>	<b>2</b>

The Company operates a dividend reinvestment plan which allows eligible shareholders to elect to invest dividends in ordinary shares. All holders of Metals X ordinary shares with addresses in Australia or New Zealand are eligible to participate in the plan. The allocation price for shares is based on the average of the daily volume weighted average price of Metals X ordinary shares sold on the Australian Securities Exchange less a discount, calculated with reference to a period of not less than five consecutive trading days as determined by the directors.

An issue of shares under the dividend reinvestment plan results in an increase in issued capital unless the Company elects to purchase the required number of shares on-market.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 11. CASH AND CASH EQUIVALENTS

	2020 \$'000	2019 \$'000
Cash at bank and in hand - denominated in AUD	9,674	729
Cash at bank and in hand - denominated in USD	4,347	10,461
Short-term deposits	74	174
<b>Total</b>	<b>14,095</b>	<b>11,364</b>

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Consolidated Entity, and earn interest at the respective short-term deposit rates.

Refer to note 4(b) for more details on the Consolidated Entity's credit risk management practices. As all deposits are on demand or have maturity dates of less than twelve months, the Group has assessed the credit risk on these financial assets using lifetime expected credit losses. In this regard, the Group has concluded that the probability of default is insignificant.

Recognition and measurement

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:**

Cash at bank and in hand	14,021	11,190
Short-term deposits	74	174
	<b>14,095</b>	<b>11,364</b>

## CASH FLOW RECONCILIATION

**Reconciliation of net profit after income tax to net cash flows from operating activities**

<b>Loss after income tax</b>	<b>(80,340)</b>	<b>(116,969)</b>
Amortisation and depreciation	23,508	35,086
Fair value change in derivative financial instruments	-	38
Fair value change in financial assets through profit and loss	83	4,384
Borrowing costs	102	-
Impairment loss on assets	15,363	64,200
Share based payments	137	694
Rehabilitation expense	8,587	843
Exploration and evaluation expenditure written off	105	6,570
(Gain)/loss on disposal of property, plant and equipment	(319)	16
	<b>(32,774)</b>	<b>(5,138)</b>
<b>Changes in assets and liabilities</b>		
Decrease in inventories	23,868	132
Decrease/(increase) in trade and other receivables and prepayments	10,431	(3,903)
(Decrease) in trade and other creditors	(17,887)	(6,950)
(Decrease)/increase provisions	(4,681)	698
<b>Net cash flows from operating activities</b>	<b>(21,043)</b>	<b>(15,161)</b>

## 12. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables at fair value	1,811	8,211
Other debtors and cash call advances at amortised cost (a)	4,342	8,334
Allowance for expected credit loss	-	-
	<b>6,153</b>	<b>16,545</b>

As at 30 June 2020 tin concentrate sales of 303 tonnes (2019: 196) remained open to price adjustments. Total copper concentrate sales for the period was 9,095 tonnes (2019: 15,776), there were no concentrate sales outstanding at the reporting date. In 2019, 3,721 tonnes of copper, provisionally sold at the reporting date, had been revalued at a weighted average price of (US\$5,868). The fair value loss on provisionally priced trade receivables of \$2,067,000 for the period (2019: \$4,761,000) has been included as an expense in the statement of comprehensive income.

(a) These primarily relate to cash calls advanced to the Bluestone Mines Tasmania Joint Venture Pty Ltd.

## 12. TRADE AND OTHER RECEIVABLES (CURRENT) (CONT.)

### Recognition and measurement

The classification of receivables depends on the financial asset's contractual cash flow characteristics and the Consolidated Entity's business model for managing them.

In order for a receivable 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.

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

#### *Trade receivables at fair value*

Trade receivables which are subject to provisional pricing are non-interest bearing but are exposed to future commodity price movements over the QP and, hence, fail the SPPI test and are measured at fair value up until the date of settlement. These trade receivables are initially measured at fair value, being the amount which the Consolidated Entity expects to be entitled, being the estimate of the price expected to be received at the end of the QP. For copper concentrate 90% of the provisional invoice (based on the provisional price) is received in cash within three weeks of the shipment date. The period between provisional invoicing and the end of the QP can be up to three months for copper concentrate. For tin concentrate 85% - 90% of the provisional invoice (based on the provisional price) is received in cash within four weeks of the shipment date. 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. Refer to note 4 for details of fair value disclosures.

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.

#### *Trade and other receivables at amortised cost*

Financial assets at amortised cost are those which satisfy the SPPI test and therefore exclude trade receivables which are subject to provisional pricing. Trade receivables are measured at the transaction price determined under revenue policy (see note 5). Other receivables are initially measured at fair value.

Trade and other receivables at amortised costs 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.

Trade receivables are non-interest bearing and are generally on 30 to 90-day terms.

### Impairment of financial assets

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 receivables other than those subject to provisional pricing, and 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.

Credit quality of a customer is assessed based on individual credit limits. Outstanding customer receivables are regularly monitored. At 30 June 2020, there are no receivables past due.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 13. INVENTORIES (CURRENT)

	2020 \$000	2019 \$000
Ore stocks at net realisable value	798	4,518
Tin in circuit at cost	52	67
Tin concentrate at cost	9,332	7,286
Copper concentrate at net realisable value	-	21,969
Stores and spares at cost	28,171	30,400
Provision for obsolete and impairment stores and spares	(18,025)	(18,380)
<b>Total inventories at lower of cost and net realisable value</b>	<b>20,328</b>	<b>45,860</b>

### Recognition and measurement

Inventories are valued at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring and bringing the inventories to their existing condition and location and is determined using the weighted average cost method.

## 14. PREPAYMENTS (CURRENT)

Prepayments	885	2,454
-------------	-----	-------

## 15. OTHER FINANCIAL ASSETS (NON-CURRENT)

Cash on deposit - performance bond facility	9,978	10,772
<b>Total other financial assets</b>	<b>9,978</b>	<b>10,772</b>

The cash on deposit is interest bearing and is used as security for government performance bonds. The fair value approximates cost. Refer to note 4(b) for credit risk assessment.

## 16. DERIVATIVE FINANCIAL INSTRUMENTS (CURRENT)

Forward commodity swaps	1,532	-
	<b>1,532</b>	<b>-</b>

The forward commodity swaps relate to derivatives of 2,010 tonnes of tin at an average price of \$24,911 per tonne of tin. The fair value is based on the applicable LME forward prices.

## 17. DERIVATIVE FINANCIAL INSTRUMENTS (NON-CURRENT)

Derivatives held for trading	-	45
------------------------------	---	----

The Consolidated Entity held 1,500,000 unlisted options in Brainchip Holdings Limited (Brainchip), which expired unexercised on 31 May 2020. The options were acquired for nil cost as part of a capital raising. In 2019 the fair value was \$7,000, which were valued 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 (refer to note 4(g)). At the end of the period the market value of the investment was nil, the Company recognised a fair value movement of \$7,000 (2019: \$38,000).

### Recognition and measurement

Derivatives are designated as fair value through profit or loss on initial recognition with all changes in fair value subsequently being recorded in profit or loss within the Statement of Comprehensive income.

## 18. FINANCIAL ASSETS (NON-CURRENT)

Shares - Australian listed

2020	2019
\$'000	\$'000
50	243

The Company has a 1.05% (2019: 9.21%) interest in Nelson, which is involved in the exploration of base metals in Australia. Nelson is listed on the ASX. During the period, the Company sold a portion of its investment in Nelson. At the end of the period the fair value of the Company's investment was \$50,000 (2019: \$243,000) which is based on Nelson's quoted share price. During the period, the Company recognised a fair value movement of \$37,000 (2019: \$382,000).

### Recognition and measurement

Listed equity investments are designated as fair value through profit or loss on initial recognition with all changes in fair value subsequently being recorded in profit or loss within the Statement of Comprehensive income. 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.

The fair value of listed equity investments has been determined directly by reference to published price quotations in an active market.

## 19. PROPERTY, PLANT & EQUIPMENT (NON-CURRENT)

### Plant and equipment

Gross carrying amount - at cost	77,185	86,263
Accumulated depreciation and impairment	(45,664)	(48,586)
Net carrying amount	31,521	37,677

### Land and buildings

Gross carrying amount - at cost	11,035	9,703
Accumulated depreciation and impairment	(5,192)	(4,174)
Net carrying amount	5,843	5,529

### Capital work in progress at cost

Gross carrying amount - at cost	5,951	3,260
Impairment	-	-
Net carrying amount	5,951	3,260

### Total property, plant and equipment

43,315	46,466
--------	--------

### Movement in property, plant and equipment

#### Plant and equipment

At 1 July net of accumulated depreciation	37,677	32,707
Transfer from capital in progress	9,729	20,325
Disposals	(3,378)	(31)
Impairment (refer to note 39)	(3,454)	(5,450)
Depreciation charge for the year	(9,052)	(9,874)

#### At 30 June net of accumulated depreciation

31,521	37,677
--------	--------

#### Land and buildings

At 1 July net of accumulated depreciation	5,529	4,820
Transfer from capital in progress	1,377	1,751
Disposals	(25)	-
Impairment (refer to note 39)	(220)	(392)
Depreciation charge for the year	(817)	(650)

#### At 30 June net of accumulated depreciation

5,843	5,529
-------	-------

#### Capital work in progress

At 1 July	3,260	11,059
Additions	15,214	15,180
Impairment (refer to note 39)	-	-
Transfer to mine properties & development	(1,416)	(903)
Transfer to plant and equipment	(9,729)	(20,325)
Transfer to land and buildings	(1,377)	(1,751)

#### At 30 June

5,951	3,260
-------	-------

Refer to note 27 for leases disclosure.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 19. PROPERTY, PLANT & EQUIPMENT (NON-CURRENT) (CONT.)

### Recognition and measurement

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

Capital work-in-progress is stated at cost and comprises all costs directly attributable to bringing the assets under construction ready to their intended use. Capital work-in-progress is transferred to property, plant and equipment or mine properties and development at cost on completion.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, or where appropriate, over the estimated life of the mine.

Major depreciation periods are:

- Mine specific plant and equipment is depreciated using – the shorter of life of mine and useful life. Useful life ranges from 2 to 10 years.
- Buildings – the shorter of life of mine and useful life. Useful life ranges from 5 to 40 years.
- Office Plant and equipment is depreciated at 33% per annum for computers and office machines and 20% per annum for other office equipment and furniture.

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

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

### Impairment

The Consolidated Entity assess each asset or CGU at the end of each reporting period to determine whether an indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of VIU and FVLCS.

In determining the value in use, future cash flows for each CGU (i.e. each mine site) are prepared utilising management's latest estimates of;

- the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- royalties and taxation;
- future production levels;
- future commodity prices;
- future cash costs of production; and
- other relevant cash inflows and outflows.

Cash flow scenarios for a range of commodity prices and foreign exchange rates are assessed using internal and external market forecasts, and the present value of the forecast cash flows.

The Consolidated Entity's cash flows are most sensitive to movements in commodity price, expected quantities of ore reserves and mineral resources and key operating costs.

Variations to the expected cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which in turn could impact future financial results.

Refer to note 39 for discussion on impairment testing performed by the Consolidated Entity.

### Key estimates and judgements

#### Life of mine method of amortisation and depreciation

The Consolidated Entity applies the life of mine method of amortisation and depreciation to its mine specific plant and to mine properties and development based on ore tonnes mined. These calculations require the use of estimates and assumptions. Significant judgement is required in assessing the available reserves and the production capacity of the plants to be depreciated under this method. Factors that are considered in determining reserves and production capacity are the Consolidated Entity's history of converting resources to reserves and the relevant time frames, the complexity of metallurgy, markets and future developments. When these factors change or become known in the future, such differences will impact pre-tax profit and carrying values of assets.

## 20. MINE PROPERTY AND DEVELOPMENT (NON-CURRENT)

	2020 \$'000	2019 \$'000
<b>Development areas at cost</b>		
Gross carrying amount - at cost	72,715	72,599
Impairment	(72,490)	(72,490)
Net carrying amount	225	109
<b>Mine site establishment</b>		
Gross carrying amount - at cost	43,390	41,461
Accumulated depreciation and impairment	(34,426)	(30,352)
Net carrying amount	8,964	11,109
<b>Mine capital development</b>		
Gross carrying amount - at cost	207,190	188,483
Accumulated depreciation and impairment	(176,746)	(157,154)
Net carrying amount	30,444	31,329
<b>Total mine properties and development</b>	<b>39,633</b>	<b>42,547</b>
<b>Movement in mine properties and development</b>		
<b>Development areas at cost</b>		
At 1 July	109	15
Additions	116	94
<b>At 30 June</b>	<b>225</b>	<b>109</b>
<b>Mine site establishment</b>		
At 1 July net of accumulated amortisation	11,109	12,992
Additions	143	664
Impairment (refer to note 39)	(1,395)	-
Transfer from capital work in progress (refer to note 19)	1,416	903
(Decrease)/increase in rehabilitation provision	370	81
Amortisation charge for the year	(2,679)	(3,531)
<b>At 30 June net of accumulated amortisation</b>	<b>8,964</b>	<b>11,109</b>
<b>Mine capital development</b>		
At 1 July net of accumulated amortisation	31,329	67,281
Additions	17,971	33,758
Impairment (refer to note 39)	(8,631)	(49,070)
Adjustment to rehabilitation liability (refer to note 24)	736	391
Amortisation charge for the year	(10,961)	(21,031)
<b>At 30 June net of accumulated amortisation</b>	<b>30,444</b>	<b>31,329</b>

### Recognition and measurement

Expenditure on the acquisition and development of mine properties within an area of interest are carried forward at cost separately for each area of interest. Accumulated expenditure is amortised over the life of the area of interest to which such costs relate on a production output basis.

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

### Impairment

The Consolidated Entity assess each asset or cash generating unit (**CGU**) at the end of each reporting period to determine whether an indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of value in use (**VIU**) (being net present value of expected future cash flows of the relevant cash generating unit) and fair value less costs to sell" (**FVLCS**).

The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proved, probable and inferred mineral resources, future technological changes, which could impact the cost, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

The Consolidated Entity regularly reviews the carrying values of its mine development assets in the context of independent expert valuations, internal and external consensus forecasts for commodity prices and foreign exchange rates, with the application of appropriate discount rates for the assets concerned.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 20. MINE PROPERTY AND DEVELOPMENT (NON-CURRENT) (CONT.)

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profit in the period in which this determination is made. Capitalised mine development expenditure is assessed for recoverability in a manner consistent with property, plant and equipment as described below. Refer to note 39 for further details on the impairment assessment process undertaken by the Consolidated Entity.

Refer to note 39 for discussion on impairment testing performed by the Company.

### Key estimates and judgements

#### Determination of mineral resources and ore reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates and provisions for mine rehabilitation. The Consolidated Entity estimates its mineral resource and reserves in accordance with the Australian code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 (the "JORC code"). The information on mineral resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

## 21. EXPLORATION EXPENDITURE (NON-CURRENT)

Exploration and evaluation costs carried forward in respect of mining areas of interest

### Pre-production areas

At Cost	13,993	10,179
<b>Net carrying amount</b>	<b>13,993</b>	<b>10,179</b>

### Movement in deferred exploration and evaluation expenditure

At 1 July net of accumulated impairment	10,179	11,243
Additions	3,919	5,506
Expenditure written off	(105)	(6,570)
<b>At 30 June net of accumulated impairment</b>	<b>13,993</b>	<b>10,179</b>

### Recognition and measurement

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward at cost where rights to tenure of the area of interest are current and;

- it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale and/or;
- exploration and evaluation activities are continuing in an area of interest but at reporting date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off to the profit and loss or provided against.

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment regularly and if after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely or that the Consolidated Entity no longer holds tenure, the relevant capitalised amount is written off to profit or loss in the period when the new information becomes available.

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas. Amortisation of the costs carried forward for the development phase is not recognised pending the commencement of production.

### Key estimates and judgements

#### Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Consolidated Entity decides to exploit the related area of interest itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

## 21. EXPLORATION EXPENDITURE (NON-CURRENT) (CONT.)

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

During the year 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. As a result exploration and evaluation expenditure of \$105,000 (2019: \$6,570,000) was written off to the profit and loss. In the current period the amount relates to mainly tenements in the copper division which were written down to nil as the expenditure did not result in the discovery of commercially viable quantities of mineral resources and as a result there is no future benefits expected.

## 22. TRADE AND OTHER PAYABLES (CURRENT)

	2020 \$'000	2019 \$'000
Trade creditors	3,779	13,463
Sundry creditors and accruals	3,739	11,979
	<b>7,518</b>	<b>25,442</b>

### Recognition and measurement

Trade and other payables are initially recognised, at fair value and subsequently measured at amortised cost using the effective interest rate (EIR) method.

Trade creditors are non-interest bearing and generally on 30-day terms. Sundry creditors and accruals are non-interest bearing and generally on 30-day terms. Due to the short-term nature of these payables, their carrying value approximates their fair value.

## 23. PROVISIONS (CURRENT)

Provision for annual leave	2,679	6,155
Provision for sick leave	2	37
Provision for long service leave	999	1,626
	<b>3,680</b>	<b>7,818</b>

### Recognition and measurement

#### *Employee benefits*

##### *Wages, salaries, sick leave and other short-term benefits*

Liabilities for wages and salaries, including non-monetary benefits, accumulating sick leave and other short-term benefits expected to be settled wholly within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

##### *Long service leave*

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

##### *Superannuation*

Contributions made by the Consolidated Entity to employee superannuation funds, which are defined contribution plans, are charged as an expense when incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 24. PROVISIONS (NON-CURRENT)

Provision for long service leave  
Provision for rehabilitation

2020 \$'000	2019 \$'000
752	1,317
50,645	40,952
<b>51,397</b>	<b>42,269</b>

### Recognition and measurement

#### *Employee benefits*

#### *Provision for long service leave*

The nature of the provisions are described in note 23.

#### *Provision for rehabilitation*

The Consolidated Entity is required to decommission and rehabilitate mines and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities.

The expected cost of any approved decommissioning or rehabilitation programme, discounted to its net present value, is provided when the related environmental disturbance occurs. The cost is capitalised when it relates to the development of an asset, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of closure. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included in financing expenses. Expected decommissioning and rehabilitation costs are based on the discounted value of the estimated future cost of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, the value of the provision and any related asset are adjusted and the effect is recognised in profit or loss on a prospective basis over the remaining life of the operation.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by potential proceeds from the sale of assets or from plant clean up at closure.

Environmental obligations associated with the retirement or disposal of mining properties and/or of exploration activities are recognised when the disturbance occurs and are based on the extent of the damage incurred. The provision is measured as the present value of the future expenditure. The rehabilitation liability is remeasured at each reporting period in line with the change in the time value of money (recognised as an interest expense in the statement of comprehensive income and an increase in the provision), and additional disturbances/change in the rehabilitation cost are recognised as additions/changes to the corresponding asset and rehabilitation liability.

### Current and non-current movements in provisions

At 1 July  
Arising during the year  
Unwind of discount  
At 30 June

2020 \$'000	2019 \$'000
<b>40,952</b>	<b>39,637</b>
9,467	472
226	843
<b>50,645</b>	<b>40,952</b>

During the period a review of the environmental obligations associated with the Mt Bischoff Project was conducted, which resulted in the increase in the provision for rehabilitation of \$8,360,000 (2019: Nil). Due to the suspension of operations at the Nifty Copper Operation a review of the expected timing of the environmental obligations was conducted which resulted in the increase in the provision for rehabilitation of \$736,000 (2019: \$391,000).

### Key estimates and judgements

#### Mine rehabilitation provision

The Consolidated Entity assesses its mine rehabilitation provision on an annual basis. In determining an appropriate level of provision, consideration is given to the expected future costs to be incurred, the timing of those future costs (largely dependent on the life of mine) and the estimated level of inflation. The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial result. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

**25. INTEREST BEARING LOANS AND BORROWINGS (CURRENT)**

Lease liabilities related to right of use assets (refer to note 27)  
Hire purchase liabilities  
Citi finance facility

2020	2019
\$'000	\$'000
191	-
2,731	5,043
30,186	-
<b>33,108</b>	<b>5,043</b>

Refer to Note 26 for policy.

**Citi finance facility**

During the period the Consolidated Entity entered into a finance facility with Citi for a \$35,000,000 secured term loan facility through the Company's 100%-owned subsidiary Bluestone Mines Tasmania Pty Ltd. The finance facility limit at reporting date is \$33,000,000 (2019: nil). The finance facility payable and utilised at reporting date is \$30,462,000 (2019: nil).

The facility term is 4 years. Repayments are quarterly in arrears commencing 31 December 2019 with accelerated prepayment from cash sweep commencing 30 June 2020. Early repayment is allowed, without penalty, at any time. Interest and charges are an establishment fee of 1.0%, interest rate is BBSY plus 3.5% for an approximate total rate of 4.5%. Security is all material assets of the Company and certain subsidiaries excluding the Renison Tin Operations joint venture participating interest and tenements. The key terms are mandatory tin derivatives, minimum liquidity and standard debt service ratios.

Under the Citi Facility the Company was required to remain within certain financial covenants which were measured for compliance at the end of each calendar quarter. For the quarter ending 30 June 2020 the Company did not meet the Forecast Cash Flow Cover Ratio (Forecast CFCR) nor the Forward Debt Service Cover Ratio (Forecast DSCR). The principal reason for the Forecast CFCR and the Forward DSCR were not met was the decision to proceed with the Area 5 development with its capital expenditure for the Consolidated Entity's 50% share being \$25 – \$27.5 million over the next two years.

On 10 July 2020, the Company notified Citi of its non-compliance with respect to the two financial covenants. On 21 July 2020 the Company submitted to Citi a proposed strategy to cure the financial covenant breaches. The strategy was to pay out the Citi finance facility in full, plus accrued interest and the close-out of existing derivative contracts.

On 31 July 2020, the Company settled and closed out the Citi finance facility and the associated derivative contracts.

**26. INTEREST BEARING LOANS AND BORROWINGS (NON-CURRENT)**

Lease liabilities related to right of use assets (refer to note 27)  
Hire purchase liabilities  
Citi finance facility

137	-
2,331	4,310
-	-
<b>2,468</b>	<b>4,310</b>

The weighted average interest rate is 4.69% (2019: 5.12%) per annum.

**Recognition and measurement**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 27. LEASES

### Consolidated Entity as lessee

The Consolidated Entity has entered into lease contracts for various items of plant, machinery, vehicles, equipment and remote area residential accommodation. These leases have an average life of between one month and three years with renewal options included in the contracts. The Consolidated entity applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. The Consolidated Entity's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Consolidated Entity is restricted from assigning and subleasing the lease assets.

The Consolidated Entity also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Consolidated Entity applies the short-term lease and lease of low-value assets recognition exemptions for these leases. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	2020 \$'000	2019 \$'000
<b>Right of use assets</b>		
At 30 June	-	-
Transfers from PPE to Right of use assets on 1 July 2019	-	-
Transition adjustment on 1 July 2019	776	-
Additions	2,176	-
Depreciation	(442)	-
Impairment (refer to note 39 for impairment assessment)	(61)	-
Disposals	(1,751)	-
At 30 June	<b>698</b>	-

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

### Lease liabilities related to right of use assets

At 30 June	-	-
Transition adjustment on 1 July 2019	776	-
Additions	2,173	-
Accretion of interest	94	-
Payments	(593)	-
Disposals	(2,122)	-
At 30 June	<b>328</b>	-
Current (refer to note 25)	191	5,043
Non-current (refer to note 26)	137	4,310
	<b>328</b>	<b>9,353</b>

The maturity analysis of lease liabilities are disclosed in note 4(f).

The following amounts are recognised in profit or loss:

Depreciation expense of right-of-use assets	442	-
Interest expense on lease liabilities	94	494
Expense relating to short-term leases (included in cost of sales)	10	-
Expense relating to leases of low-value assets (included in administrative expenses)	-	-
<b>Total amount recognised in profit or loss</b>	<b>2,684</b>	<b>494</b>

The Consolidated Entity had total cash outflows for lease liabilities related to right of use assets and hire purchase liabilities of \$5,770,000 in 2020 (2019: \$5,846,000).

## 27. LEASES (CONT.)

### Recognition and measurement

Policy applied from 1 July 2019

The Consolidated Entity assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Consolidated Entity as a lessee

The Consolidated Entity applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Consolidated Entity recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### *i) Right-of-use assets*

The Consolidated Entity recognises right-of-use assets at the lease commencement date, which is when the assets are available for use. The assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any make-good obligations and initial direct costs incurred.

Right-of-use assets are depreciated using the straight-line method over the shorter of their useful life and the lease term. Periodic adjustments are made for any re-measurements of the lease liabilities and for impairment losses, assessed in accordance with the Consolidated Entity's impairment policies.

If ownership of the leased asset transfers to the Consolidated Entity at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

##### *ii) Lease liabilities*

At the commencement date of the lease, the Consolidated Entity recognises lease liabilities measured at the present value of future minimum lease payments, discounted using the Consolidated Entity's incremental borrowing rate if the rate implicit in the lease cannot be readily determined, and are subsequently measured at amortised cost using the effective interest rate. Minimum lease payments are fixed payments or index-based variable payments incorporating the Consolidated Entity's expectations of extension options and do not include non-lease components of a contract.

The lease liability is re-measured when there are changes in future lease payments arising from a change in rates, index or lease terms from exercising an extension or termination option. A corresponding adjustment is made to the carrying amount of the lease assets, with any excess recognised in the consolidated income statement.

##### *iii) Short-term leases and leases of low-value assets*

The Consolidated Entity has elected not to recognise assets and lease liabilities for short term leases (lease term of 12 months or less) and leases of low value assets. The Consolidated Entity recognises the lease payments associated with these lease as an expense on a straight-line basis over the lease term.

Policy pre 1 July 2019

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

#### **(i) Operating Leases**

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in profit and loss on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

#### **(ii) Finance Leases**

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Consolidated Entity are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit and loss.

Capitalised leased assets are depreciated over the estimated useful life of the asset or where appropriate, over the estimated life of the mine.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 28. ISSUED CAPITAL

### (a) Ordinary Shares

Issued and fully paid

2020 \$'000	2019 \$'000
332,406	302,005

### (b) Movements in ordinary shares on issue

#### At 1 July 2018

Issue share capital

Share issue costs

#### At 30 June 2019

Issue share capital

Share issue costs

#### At 30 June 2020

Number	\$
612,137,432	254,587
76,923,076	50,000
-	(2,582)
689,060,508	302,005
218,205,559	32,731
-	(2,330)
907,266,067	332,406

#### Recognition and measurement

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in the proceeds received.

#### Dividend Reinvestment Plan

The Company operates a dividend reinvestment plan (DRP) which allows eligible shareholders to elect to invest dividends in ordinary shares.

#### 2019

There were no shares issued under the DRP in the 2019 financial year.

#### 2020

There were no shares issued under the DRP in the 2020 financial year.

### (c) Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings. In the event of winding up the Company the holders are entitled to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par share values. Accordingly, the Parent does not have authorised capital nor par value in respect of its issued shares.

### (d) Escrow restrictions

There are no current escrow restrictions on the issued capital of the Company.

### (e) Options on issue

Unissued ordinary shares of the company under option at the date of this report are as follows:

Type	Expiry Date	Exercise Price	Number of options
Unlisted*	30 Nov 2020	\$1.32	5,250,000
Unlisted*	30 Jun 2023	\$0.00	632,277
Unlisted*	30 Jun 2024	\$0.00	6,102,055
<b>Total</b>			<b>11,984,332</b>

\*

These options were issued pursuant to the Metals X Limited Employee Option Scheme and can only be exercised pursuant to the scheme rules.

## 28. ISSUED CAPITAL (CONT.)

### (f) Capital management - gearing ratio

	2020 \$'000	2019 \$'000
Gearing ratio	68.69%	3.91%
Net debt	35,576	9,353
capital	51,791	101,593

Capital includes issued capital and all other equity reserves attributable to the equity holders of the parent for the purpose of the Consolidated Entity's capital management. The primary objective of the Consolidated Entity's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise the shareholder's value. The Consolidated Entity manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Consolidated Entity may return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2020 and 30 June 2019. The Consolidated Entity monitors capital using a gearing ratio, which is net debt divided by the aggregate of equity and net debt. The Consolidated Entity includes in its net debt, interest-bearing loans and borrowings, trade and other payables, less cash and short-term deposits. Net debt in the current year is higher due to the Citi Finance Facility.

## 29. ACCUMULATED LOSSES

	2020 \$'000	2019 \$'000
At 1 July	(228,456)	(111,487)
Net loss in current period attributable to members of the parent entity	(80,340)	(116,969)
Dividends paid	-	-
<b>At 30 June</b>	<b>(308,796)</b>	<b>(228,456)</b>

## 30. RESERVES

	Share based payments reserve \$'000	Total \$'000
<b>At 1 June 2018</b>	<b>27,350</b>	<b>27,350</b>
Share based payments	694	694
<b>At 30 June 2019</b>	<b>28,044</b>	<b>28,044</b>
Share based payments	137	137
<b>At 30 June 2020</b>	<b>28,181</b>	<b>28,181</b>

### Nature and purpose of reserves

#### Share based payments reserve

This reserve is used to recognise the fair value of rights and options issued to employees in relation to equity-settled share-based payments.

## 31. SHARE-BASED PAYMENTS

	2020 \$'000	2019 \$'000
--	----------------	----------------

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

The expense recognised for services received during the year is shown in the table below:

<b>Expense arising from equity-settled share-based payments</b>	<b>137</b>	<b>694</b>
---	------------	------------

The share-based payment plan is described below. There have been no cancellations or modifications to the plan during 2020 and 2019.

### Recognition and measurement

The Consolidated Entity provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The Consolidated Entity has one plan in place that provides these benefits. It is the Long-Term Incentive Plan (LTIP) which provides benefits to all employees including Directors.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 31. SHARE BASED PAYMENTS (CONT.)

In valuing equity-settled transactions, no account is taken of any vesting conditions (such as service conditions), other than conditions linked to the price of the shares of Metals X Limited (market conditions) if applicable.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black & Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to profit and loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Consolidated Entity, Company or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Consolidated Entity, Company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

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

### (b) Long Term Incentive Plan

Under the LTIP, grants are made to senior executives and other staff members who have made an impact on the Consolidated Entity's performance. LTIP grants for FY2020 were delivered in the form of performance options, which will vest over a period of three years subject to meeting performance measures, with no opportunity to retest.

### (i) Share Options

Share options are issued for nil consideration. The exercise price of the share options is equal to 125% - 135% of the weighted average closing sale price of the Company's fully paid ordinary shares on ASX over the 5 trading days immediately preceding the day on which the options are awarded. Any options that are not exercised by the third anniversary of their grant date will lapse. Upon exercise, the options will be settled in ordinary fully paid shares of the Company. These options will vest when the senior executive or other staff member continues to be employed by the Consolidated Entity on the first anniversary of the grant date or as determined by the Board of Directors.

#### Summary of share options granted under the Long Term Incentive Plan

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options issued under the LTIP.

	2020 Number	2020 WAEP	2019 Number	2019 WAEP
Outstanding at the beginning of the year	12,800,000	0.96	13,350,000	1.07
Granted during the year	-	-	3,000,000	0.56
Exercised during the year	-	-	-	-
Lapsed/cancelled during the year	(7,550,000)	0.71	(3,550,000)	1.04
<b>Outstanding at the year end</b>	<b>5,250,000</b>	<b>1.32</b>	<b>12,800,000</b>	<b>0.96</b>
<b>Exercisable at the year end</b>	<b>5,250,000</b>	<b>1.32</b>	<b>9,800,000</b>	<b>1.08</b>

### 31. SHARE BASED PAYMENTS (CONT.)

The outstanding balance as at 30 June 2020 is represented by the following table:

Grant Date	Vesting date	Expiry date	Exercise Price	Options granted	Options lapsed / cancelled	Options exercised	Number of options at end of period	
							On issue	Vested
24 Nov16	20 Jan 18	20 Jan 20	\$0.76	2,000,000	(2,000,000)	-	-	-
20 Jan 17	20 Jan 18	20 Jan 20	\$0.76	5,250,000	(4,550,000)	(700,000)	-	-
22 Nov 17	30 Nov 18	30 Nov 20	\$1.32	3,200,000	-	-	3,200,000	3,200,000
23 Nov 17	30 Nov 18	30 Nov 20	\$1.32	4,900,000	(2,850,000)	-	2,050,000	2,050,000
25 Jan 19	22 Jan 20	22 Jan 22	\$0.54	1,000,000	(1,000,000)	-	-	-
25 Jan 19	22 Jan 21	22 Jan 23	\$0.56	1,000,000	(1,000,000)	-	-	-
25 Jan 19	22 Jan 22	22 Jan 24	\$0.58	1,000,000	(1,000,000)	-	-	-
<b>Total</b>				<b>18,350,000</b>	<b>(12,400,000)</b>	<b>(700,000)</b>	<b>5,250,000</b>	<b>5,250,000</b>

#### Weighted average remaining contractual life of share options

The weighted average remaining contractual life for the share options outstanding as at 30 June 2020 is \$1.32 (2019: \$1.53).

#### Range of exercise price of share options

The range of exercise prices for options outstanding at the end of the year \$1.32 (2019: \$0.54 - \$1.32).

#### Weighted average fair value of share options

The weighted average fair value of options granted during the year was nil (2019: \$0.14).

#### Share option valuation

The fair value of the equity-settled share options granted under the LTIP is estimated at the date of grant using a Black & Scholes model, which takes into account factors including the options exercise price, the volatility of the underlying share price, the risk-free interest rate, the market price of the underlying share at grant date, historical and expected dividends and the expected life of the option.

The following table gives the assumptions made in determining the fair value of the options granted:

2019			
Grant date	25 Jan 2019	25 Jan 2019	25 Jan 2019
Expected volatility (%)	52%	52%	52%
Risk-free interest rate (%)	1.81%	1.86%	1.96%
Expected life of options (yrs)	3.0	4.0	5.0
Options exercise price (\$)	\$0.54	\$0.56	\$0.58
Share price at grant date (\$)	\$0.43	\$0.43	\$0.43
Fair value at grant date (\$)	\$0.124	\$0.145	\$0.163

The effects of early exercise have not been incorporated into the calculations by using an expected life for the option that is shorter than the contractual life based on historical exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future. The expected volatility was determined using a historical sample of the Company's share price over a historical term consistent with the option period. The resulting expected volatility therefore reflects the assumptions that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

#### (ii) Performance Options

Performance options are issued for nil consideration. The performance options vest over a measurement period of two to three years for the options issued in 2019 and three years for the options issued in 2020, subject to meeting performance measures. The Company uses relative shareholder return and return on capital employed as the performance measures for the performance options. Any performance options that do not vest on the second or third anniversary of their grant date will lapse. Upon vesting these performance options will convert into an option to acquire ordinary fully paid shares of the Company for nil consideration. Any performance options that are not exercised by the second anniversary of their vesting date will lapse.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 31. SHARE BASED PAYMENTS (CONT.)

The outstanding balance as at 30 June 2020 is represented by the following table:

### Summary of performance options granted under the Long Term Incentive Plan

The following table illustrates the number and movements in, performance share options issued under the LTIP.

	2020 Number	2020 WAEP	2019 Number	2019 WAEP
Outstanding at the beginning of the year	2,516,162	-	-	-
Granted during the year	15,926,418	-	2,682,990	-
Exercised during the year	-	-	-	-
Lapsed/cancelled during the year	(11,708,247)	-	(166,828)	-
<b>Outstanding at the year end</b>	<b>6,734,333</b>	-	<b>2,516,162</b>	-
<b>Exercisable at the year end</b>	-	-	-	-

### Exercise price of performance options

Performance options on issue as part of LTIP have a nil exercise price.

### Performance measures

The performance options have the following performance hurdles, which will be measured over the measurement period from grant date:

- The Relative Total Shareholder Return (**TSR**) performance options (50% of total performance options) are measured against the S&P/ASX Metals and Mining Index, which the Board considers compete with the Company for the same investment capital, both in Australia and overseas, and which by the nature of their business are influenced by commodity prices and other external factors similar to those that impact on the TSR performance of the Company.

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 (**ROCE**) performance options (50% of total performance share options) 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 ( <b>WACC</b> )	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%

### Measurement period

The FY2019 performance options are subject to two performance periods:

- 50% of the Relative TSR and ROCE performance options will be measured against the performance measures for a two year period from 1 July 2018 to 30 June 2020.
- 50% of the Relative TSR and ROCE performance options will be measured against the performance measures for a three year period from 1 July 2018 to 30 June 2021.

The FY2020 performance options are subject to one performance period:

- 100% of the Relative TSR and ROCE performance options will be measured against the performance measures for a three year period from 1 July 2019 to 30 June 2022.

### 31. SHARE BASED PAYMENTS (CONT.)

#### Weighted average fair value of performance options

The weighted average fair value of performance options granted during the year was nil (2019: nil).

#### Performance share options valuation

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

2019		
Details	Tranche 1	
	Relative Total Shareholder Return	Return on Capital Employed
Grant date	23 Nov 2017	22 Nov 2017
Valuation date	1 Jul 2018	1 Jul 2018
Measurement date	30 Jun 2020	30 Jun 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	Tranche 2	
	Relative Total Shareholder Return	Return on Capital Employed
Grant date	23 Nov 2017	22 Nov 2017
Valuation date	1 Jul 2018	1 Jul 2018
Measurement date	30 Jun 2021	30 Jun 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

2020		
Details	2020	
	Relative Total Shareholder Return	Return on Capital Employed
Grant date	1 Jul 2019	1 Jul 2019
Valuation date	1 Jul 2019	1 Jul 2019
Measurement date	30 Jun 2022	30 Jun 2022
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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 32. AUDITOR'S REMUNERATION

### Fees to Ernst & Young (Australia)

Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities

212,016

282,927

Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm:

63,643

52,764

- Renison joint Venture audit

Fees for other services

- tax compliance

47,000

54,500

**Total fees to Ernst & Young (Australia)**

**322,659**

**390,191**

## 33. COMMITMENTS

### (a) Capital commitments

*Commitments relating to joint arrangements*

At 30 June 2020 the Consolidated Entity has capital commitments that relate principally to the purchase and maintenance of plant and equipment for its mining operations (refer to note 34).

Capital expenditure commitments

Estimated capital expenditure contracted for at reporting date, but not recognised as liabilities for the Consolidated Entity:

- Within one year

2020

2019

\$'000

\$'000

1,632

1,400

### (b) Mineral tenement commitments

The Company has tenements in which the mining operations are located. These tenement leases have a life of up to twenty one years. In order to maintain current rights to explore and mine the tenements the Consolidated Entity is required to perform minimum exploration work to meet the expenditure requirements specified by the relevant state governing body. There are no restrictions placed on the lessee by entering into these contracts. The commitments include Joint Operation commitments as disclosed in note 34.

- Within one year

875

1,154

- After one year but not more than five years

3,228

3,544

- After more than five years

6,347

6,947

**10,450**

**11,645**

### (c) Other commitments

The Consolidated Entity has obligations for various expenditures such as state government royalties, production based payments and exploration expenditure. Such expenditures are predominantly related to the earning of revenue in the ordinary course of business.

### 34. INTEREST IN JOINT OPERATIONS

The Consolidated Entity's interest in the assets and liabilities of joint operations are included in the consolidated statement of financial position.

#### Renison Tin Project

Subsidiary Bluestone Mines Tasmania Pty Ltd has a 50% interest and participating share in the Renison Tin Project, which is operated and managed by Bluestone Mines Tasmania Joint Venture Pty Ltd. The Consolidated Entity is entitled to 50% of the production. The Renison Tin Project is located in Tasmania.

#### Recognition and measurement

Joint arrangements are arrangements over which two or more parties have joint control. Joint Control is the contractual agreed sharing of control of the arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either a joint operation or a joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

To the extent the joint arrangement provides the Consolidated Entity with rights to the individual assets and obligations arising from the joint arrangement, the arrangement is classified as a joint operation and as such, the Consolidated Entity recognises its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of revenue from the sale of the output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly

To the extent the joint arrangement provides the Consolidated Entity with rights to the net assets of the arrangement, the investment is classified as a joint venture and accounted for using the equity method. Under the equity method, the cost of the investment is adjusted by the post-acquisition changes in the Consolidated Entity's share of the net assets of the joint venture.

### 35. SEGMENTS

For management purposes, the Consolidated entity is organised into operating segments determined by the similarity of the mineral being mined or explored, as these are the sources of the Consolidated Entity's major risks and have the most effect on rates of return.

The Consolidated Entity comprises the following reportable segments:

- |                                |  |
|--------------------------------|--|
| - Renison Tin Operation:       | Mining, treatment and marketing of tin concentrate.    |
| - Mt Bischoff Tin Project:     | Tin project under care and maintenance.                |
| - Nifty Copper Operation:      | Mining, treatment and marketing of copper concentrate. |
| - Maroochydore Copper Project: | Exploration and development of copper assets.          |
| - Wingellina Nickel Project:   | Exploration and development of nickel assets.          |

Executive management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Inter-segment revenues are eliminated upon consolidation. All other adjustments and eliminations are part of the detailed reconciliations presented further below.

During the year, the Consolidated Entity has reviewed the basis of segmentation and identified the Mt Bischoff Tin Project as a separate segment from the Renison Tin Project. The comparatives have been adjusted to comply with the current period reporting.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 35. SEGMENTS (CONT.)

The following table presents revenue and profit information for reportable segments for the year ended 30 June 2020.

Year ended 30 June 2020	Renison Tin Operation	Mt Bischoff Tin Project	Nifty Copper Operation	Maroochydore Copper Project	Wingellina Nickel Project	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>						
External customers	73,243		70,206	-	-	143,449
<b>Total revenue</b>	<b>73,243</b>	<b>-</b>	<b>70,206</b>	<b>-</b>	<b>-</b>	<b>143,449</b>
<b>Results</b>						
Depreciation and amortisation	(13,690)	-	(9,552)	-	-	(23,242)
Exploration and evaluation expenditure written off	-	-	(105)	-	-	(105)
Impairment of assets	-	-	(15,363)	-	-	(15,363)
<b>Segment profit</b>	<b>2,913</b>	<b>(8,360)</b>	<b>(67,913)</b>	<b>-</b>	<b>-</b>	<b>(73,360)</b>
<b>Total assets</b>	<b>86,866</b>	<b>-</b>	<b>27,494</b>	<b>6,994</b>	<b>3,575</b>	<b>124,929</b>
<b>Total liabilities</b>	<b>(45,239)</b>	<b>(8,710)</b>	<b>(42,213)</b>	<b>-</b>	<b>(99)</b>	<b>(96,261)</b>
<b>Other disclosures</b>						
Capital expenditure	(13,750)	-	(15,400)	(1,061)	(1,340)	(31,551)

### 35. SEGMENTS (CONT.)

The following table presents revenue and profit information for reportable segments for the year ended 30 June 2019.

Year ended 30 June 2019	Renison Tin Operation	Mt Bischoff Tin Project	Nifty Copper Operation	Maroochydore Copper Project	Wingellina Nickel Project	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>						
External customers	85,276		119,446	-	-	204,722
<b>Total revenue</b>	<b>85,276</b>	<b>-</b>	<b>119,446</b>	<b>-</b>	<b>-</b>	<b>204,722</b>
<b>Results</b>						
Depreciation and amortisation	(14,758)	-	(20,134)	-	(57)	(34,949)
Exploration and evaluation expenditure written off	-	-	(6,558)	(11)	-	(6,569)
Impairment of assets	-	-	(64,200)	-	-	(64,200)
<b>Segment profit</b>	<b>6,696</b>	<b>-</b>	<b>(115,640)</b>	<b>(11)</b>	<b>-</b>	<b>(108,955)</b>
<b>Total assets</b>	<b>84,750</b>	<b>-</b>	<b>67,326</b>	<b>5,929</b>	<b>2,357</b>	<b>160,362</b>
<b>Total liabilities</b>	<b>(13,768)</b>	<b>(350)</b>	<b>(68,683)</b>	<b>-</b>	<b>(69)</b>	<b>(82,870)</b>
<b>Other disclosures</b>						
Capital expenditure	(9,034)	-	(39,599)	(900)	(1,188)	(50,721)

#### 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, cash and certain financial assets and liabilities are not allocated to segments as they are also managed on a Consolidated Entity basis.

Capital expenditure consists of additions of property, plant and equipment, mine properties and development and exploration and evaluation expenditure including assets from the acquisition of subsidiaries.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 35. SEGMENTS (CONT.)

### (a) Reconciliation of profit/(loss)

#### Segment profit

Corporate administration expenses

Corporate interest income

Corporate other income

Finance costs

Fair value change in financial assets

Share-based payments

Loss on derivative instruments

**Total consolidated profit before income tax from continuing operations**

2020 \$'000	2019 \$'000
(73,360)	(108,955)
(6,659)	(6,748)
441	807
231	128
(1,992)	(1,472)
(83)	(4,422)
(137)	(694)
1,219	4,387
<b>(80,340)</b>	<b>(116,969)</b>

### (b) Reconciliation of assets

#### Segment operating assets

*Unallocated corporate assets*

Cash and cash equivalents

Trade and other receivables

Prepayments

Other financial assets

Derivative financial instruments

Financial assets (non-current)

Property, plant and equipment

**Total consolidated assets**

<b>124,929</b>	<b>160,362</b>
23,786	11,183
173	3,011
211	141
12	10,772
-	45
50	244
801	717
<b>149,962</b>	<b>186,475</b>

### (c) Reconciliation of liabilities

#### Segment operating liabilities

*Unallocated corporate liabilities*

Trade and other payables

Provision for employee benefits

Interest bearing loans and borrowings

**Total consolidated liabilities**

<b>96,261</b>	<b>82,870</b>
1,139	1,278
538	650
233	84
<b>98,171</b>	<b>84,882</b>

### (d) Right of use assets

<b>6,903</b>	<b>-</b>
--------------	----------

Right of use assets are included in property, plant and equipment.

### (e) Segment revenue from external customers

Segment revenue

**Total revenue**

143,449	204,722
<b>143,449</b>	<b>204,722</b>

Revenue from external customers by geographical locations is detailed below. Revenue is attributable to geographical location based on the location of the customers. The Company does not have external revenues from external customers that are attributable to any foreign country other than as shown.

South East Asia

**Total revenue**

143,449	204,722
<b>143,449</b>	<b>204,722</b>

In the current period the Consolidated Entity had three customers to which it provides tin and copper. The Consolidated Entity sends its tin and copper concentrates to three South East Asian customers that accounts for 100% of total external revenue (2019: 100%). The Renison Tin Operations, Customer 1 and Customer 2 provided 23% and 28% respectively of total external revenue (2019: 12% and 29%). The Nifty Copper Operation, Customer 1 provided 49% of total external revenue (2019: 59%).

### (f) Segment non-current assets, excluding financial assets, are all located in Australia.

### 36. KEY MANAGEMENT PERSONNEL

#### (a) Details of Key Management Personnel

(i) Directors	Details	Appointed	Resigned
Peter Gunzburg <sup>2</sup>	Non-Executive Chairman	10 Jul 2020	-
Brett Smith <sup>5</sup>	Executive Director	2 Dec 2019	-
Patrick O'Connor <sup>2</sup>	Non-Executive Director	24 Oct 2019	-
Grahame White	Non-Executive Director	10 Jul 2020	-
Xingwang Bao	Non-Executive Director	10 Jan 2020	-
Brett Lambert	Non-Executive Director	24 Oct 2019	10 Jul 2020
Anthony Polglase	Non-Executive Director	24 Oct 2019	10 Jul 2020
Peter Newton	Non-Executive Chairman	14 Dec 2012	24 Oct 2019
Damien Marantelli <sup>3</sup>	Managing Director	3 Sept 2018	2 Dec 2019
Simon Heggen <sup>1</sup>	Non-Executive Director	25 Oct 2012	2 Dec 2019
Milan Jerkovic	Non-Executive Director	1 May 2017	30 Aug 2019
Yimin Zhang	Non-Executive Director	9 Jan 2017	10 Jan 2020
<b>(ii) Other Executives (KMPs)</b>			
Michael Spreadborough <sup>4</sup>	Chief Executive Officer (CEO)	19 Dec 2019	-
Campbell Baird	EGM - Mining & Technical	3 Sep 2018	30 Nov 2019
Russell Cole	General Manager - Nifty	23 Aug 2018	31 Jan 2020
	EGM - Geology & Business Development		
Simon Rigby		5 Jun 2018	-
Stephen Robinson	EGM - Projects & Planning	25 Nov 2016	-
Fiona Van Maanen	CFO & Company Secretary	1 Jul 2005	-

- 1) Simon Heggen was appointed Non-Executive Chairman of the Company upon the resignation of Peter Newton on 24 October 2019.
- 2) Patrick O'Connor was appointed Non-Executive Chairman of the Company upon the resignation of Simon Heggen on 2 December 2019 and was subsequently appointed Executive Chairman on 17 December 2019. Upon the appointment of Peter Gunzburg as the Non-Executive Chairman on 10 July 2020, Mr O'Connor became a Non-Executive Director
- 3) Damien Marantelli resigned as the Managing Director on 2 December 2019, was subsequently appointed as the CEO and resigned 1 March 2020.
- 4) Michael Spreadborough was appointed as the Chief Operations Officer on 19 December. He was subsequently appointed the CEO on 3 March 2020.
- 5) Brett Smith was appointed an Executive Director on 10 July 2020.

#### (b) Compensation of Key Management Personnel

	2020	2019
Short-term employee benefits	2,961,955	3,154,998
Post employment benefits	201,941	300,190
Other long-term benefits	94,140	218,248
Share-based payment	75,087	535,127
Termination payments	472,757	553,594
	<b>3,805,880</b>	<b>4,762,157</b>

#### (c) Loans to Key Management Personnel

There were no loans to key management personnel during the current or previous financial year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 36. KEY MANAGEMENT PERSONNEL (CONT.)

### (d) Interest held by Key Management Personnel under the Long Term Incentive Plan

Share options\* and performance options\*\* held by key management personnel under the long term incentive plan to purchase ordinary shares:

Grant date	Expiry date	Exercise price \$	2020 Number	2019 Number
24 Nov 2016 *	20 Jan 2020	0.76	-	2,000,000
20 Jan 2017 *	20 Jan 2020	0.76	-	1,200,000
22 Nov 2017 *	30 Nov 2020	1.32	1,200,000	3,200,000
23 Nov 2017 *	30 Nov 2020	1.32	1,200,000	1,200,000
7 Dec 2018 **	30 Jun 2022	-	-	732,078
7 Dec 2018 **	30 Jun 2023	-	423,448	732,078
25 Jan 2019 *	22 Jan 2022	0.54	-	1,000,000
25 Jan 2019 *	22 Jan 2023	0.56	-	1,000,000
25 Jan 2019 *	22 Jan 2024	0.58	-	1,000,000
1 Jul 2019 **	30 Jun 2024	-	2,798,459	-
<b>Total</b>			<b>5,621,907</b>	<b>12,064,156</b>

\* Share options

\*\* Performance options

## 37. RELATED PARTY DISCLOSURES

### (a) Subsidiaries

The consolidated financial statements of the Consolidated Entity include Metals X Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	Ownership interest	
		2020	2019
Bluestone Australia Pty Ltd	Australia	100%	100%
Metals Exploration Pty Ltd	Australia	100%	100%
Paterson Copper Pty Ltd (formerly Cupric Pty Ltd)	Australia	100%	100%
<b>Subsidiary companies of Bluestone Australia Pty Ltd</b>			
Bluestone Mines Tasmania Pty Ltd	Australia	100%	100%
<b>Subsidiary companies of Metals Exploration Pty Ltd</b>			
Austral Nickel Pty Ltd	Australia	100%	100%
Hinckley Range Pty Ltd	Australia	100%	100%
Metex Nickel Pty Ltd	Australia	100%	100%
<b>Subsidiary companies of Paterson Copper Pty Ltd</b>			
Nifty Copper Pty Ltd	Australia	100%	100%
Maroochydore Copper Pty Ltd	Australia	100%	100%

### (b) Ultimate parent

Metals X Limited is the ultimate parent entity.

### (c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 36.

### 37. RELATED PARTY DISCLOSURES (CONT.)

(d)	Transactions with related parties	Recharges	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	<b>Jointly controlled operations</b>				
	Bluestone Mines Tasmania Joint Venture Pty Ltd (Manager of the Renison Tin Project)				
	<b>2020</b>	887,968	-	63,667	-
	<b>2019</b>	488,186	-	47,837	-
	<b>Key management personnel of the Consolidated Entity</b>				
	Milan Jerkovic as a significant shareholder and director of Xavier Group Pty Ltd				
	<b>2020</b>	-	60,000	-	-
	<b>2019</b>	-	205,000	-	-

### 38. INFORMATION RELATING TO METALS X LIMITED ("THE PARENT ENTITY")

	2020 \$'000	2019 \$'000
Current assets	16,133	24,780
Total assets	22,050	82,124
Current Liabilities	762	786
Total Liabilities	762	786
		-
Issued capital	341,685	311,285
Accumulated losses	(348,578)	(257,991)
Share based payment reserve	28,181	28,044
Other reserves	-	-
<b>Total Equity</b>	<b>21,288</b>	<b>81,338</b>
Loss of the parent entity	(90,587)	(96,830)
Total comprehensive loss of the parent entity	(90,587)	(96,830)

#### Guarantees entered into by the parent entity in relation to the debts of its subsidiaries.

Pursuant to ASIC Instrument 2016/785, Metals X and its wholly owned subsidiaries (refer to note 37(a)) entered into a deed of cross guarantee on 11 November 2013. The effect of the deed is that Metals X has guaranteed to pay any deficiency in the event of winding up of any controlled entity or if they do not meet their obligations under the terms of any debt subject to the guarantee. The controlled entities have given a similar guarantee in the event that Metals X is wound up or if it does not meet its obligations under the terms of any debt subject to the guarantee.

The statement of financial position and statement of comprehensive income for the closed group is not different to the Consolidated Entity's statement of financial position and statement of comprehensive income.

#### Contingent liabilities of the parent entity.

Nil

#### Contractual commitments by the parent entity for the acquisition of property, plant or equipment.

Nil

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 39. IMPAIRMENT OF NON FINANCIAL ASSETS

The Consolidated Entity assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Consolidated Entity estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal (FVLCD) and value in use (VIU).

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Value in use does not reflect future cash flows associated with improving or enhancing an asset's performance, whereas anticipated enhancements to assets are included in fair value less costs of disposal calculations.

Impairment losses of continuing operations, are recognised in the profit and loss.

For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Consolidated Entity estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

### 31 December 2019 Assessment

On 26 November 2019, the Company announced that after completing an operational review of Nifty, the Board decided to immediately suspend mining activities with the mine, processing facilities and infrastructure put on care and maintenance. As a result, of Nifty being placed on care and maintenance it was determined there were indicators of impairment of the Nifty CGU. The primary trigger for impairment is due to the increase in the value of the Nifty CGU with no substantial increase in the recoverable amount. The Consolidated Entity used FVLCD to determine the recoverable amount for the Nifty CGU based on the following methodology and assumptions:

#### Methodology

For the period ended 31 December 2019 the Consolidated Entity has impaired the assets of the Nifty CGU using the ranges from the independent expert valuation reports prepared at 30 June 2019 based on comparable transactions less expected costs of disposal. The independent valuation reports for stores and spares and property, plant and equipment did not allow for economic obsolescence and as such the Consolidated Entity has applied a reduction of an average of 76% (30 June 2019: 70%) to allow for economic obsolescence. The Consolidated Entity considers using the independent expert valuation reports prepared at 30 June 2019, prior to economic obsolescence, as a basis to determine the FVLCD to be the most appropriate valuation method for financial statement reporting purposes. At 30 June 2020 the Company determined that there were no indicators for impairment reversals or any further impairment of the Nifty CGU.

In allocating the impairment, individual assets have not been impaired beyond their individual recoverable values. To determine their individual recoverable values, inventory of stores and spares and property, plant and equipment have been valued using the market comparison approach adjusted for present condition and location. Mine, properties and development and the exploration expenditure has been valued using a market approach known as the exploration valuation method, which is based on comparable transactions and past expenditure on exploration. The fair value methodologies adopted are categorised as Level 3 in the fair value hierarchy. The Consolidated Entity has valued the Nifty tenements using ranges of value per unit area (km<sup>2</sup>) derived from comparable transactions. The range of the implied value of comparable transactions is between \$60/km<sup>2</sup> and \$9,596/km<sup>2</sup>, with a mean of \$2,612/km<sup>2</sup>. The Company has not allowed for any COVID-19 impacts on the prices it expects to be able to sell equipment for as to date COVID-19 has not had an impact on the recoverable values of the assets given the general improvement in the WA mining industry, however it may in future periods if conditions change.

### 39. IMPAIRMENT OF NON FINANCIAL ASSETS (CONT.)

#### Impairment Losses

Impairment losses have been allocated to assets of the Nifty CGU as follows:

Details	Carrying Value \$	Impairment loss \$	Recoverable amount \$
Inventory of stores and spares	8,862,871	1,662,871	7,200,000
Property, plant and equipment	25,728,630	3,673,932	22,054,698
Exploration expenditure	3,170,671	-	3,170,671
Mine, properties and development	10,026,475	10,026,475	-
<b>Total</b>	<b>47,788,647</b>	<b>15,363,278</b>	<b>32,425,369</b>

#### 30 June 2019 Assessment

As a result of the Consolidated Entity's 30 June 2019 impairment indicator review, it was determined that continued cash outflows and underperformance against budget represent indicators of potential impairment of the Nifty CGU. The Consolidated Entity has used FVLCD to determine the recoverable amount for the Nifty CGU.

#### Methodology

For the year ended 30 June 2019 the Consolidated Entity impaired the assets of Nifty based on fair values determined by independent experts using comparable transactions less expected costs of disposal. This method was been adopted as it results in a higher recoverable amount than a VIU assessment.

Inventory and property, plant and equipment was valued using estimated market values adjusted for present condition and location. Mine, properties and development and the exploration expenditure were valued using a market approach known as the exploration valuation method which is based on comparable transactions and past expenditure on exploration. The fair value methodologies adopted are categorised as Level 3 in the fair value hierarchy.

#### Impairment Losses

Impairment losses were allocated to assets of the Nifty CGU as follows:

Details	Carrying Value \$	Impairment loss \$	Recoverable amount \$
Inventory of stores and spares	18,287,398	9,287,398	9,000,000
Property, plant and equipment	32,025,834	5,842,434	26,183,400
Exploration expenditure	2,080,449	-	2,080,449
Mine, properties and development	49,069,811	49,069,811	-
<b>Total</b>	<b>101,463,492</b>	<b>64,199,643</b>	<b>37,263,849</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

## 40. EVENTS AFTER THE BALANCE SHEET DATE

### **Asia Cheer Finance Facility**

On 27 July 2020, entered into a loan facility with Asia Cheer Trading Limited (**ACT**) for a \$26,000,000 unsecured term loan facility (**ACT Loan**). The funds from the ACT Loan were to be applied to the repayment of the amount outstanding pursuant to the Citi Facility. Draw down of the ACT Loan was subject to the contemporaneous close out of the Citi Facility. The Loan was fully drawn down on 31 July 2020.

The key terms of the Loan are as follows:

Loan term:	Until 31 January 2021
Interest and charges:	Establishment fee of 3.5%. Interest rate is BBSY plus 1.0%, approximate total rate of 4.5%.
Key terms:	The net proceeds from the sale of the Copper Assets or any capital raising undertaken by the Company during the loan term must be paid to the lender in permanent reduction of the Principal Amount.

On 21 August 2020, ACT provided the Company with a waiver of the mandatory repayment of the loan from the sale of the Copper Assets or any capital raising undertaken by the Company if required to assist with management of working capital. On 31 August 2020, ACT advised the Company that if required, the ACT Loan will be amended to increase the commitment by \$5,000,000 to \$31,000,000 and extend the repayment date to 31 July 2021. If the amendments are required the Company is to provide ACT with a formal written notice prior to 31 October 2020.

### **Citi Finance Facility Repayment**

Under the Citi Facility the Company was required to remain within certain financial covenants which were measured for compliance at the end of each calendar quarter. For the quarter ending 30 June 2020 the Company did not meet the Forecast Cash Flow Cover Ratio (Forecast CFCR) nor the Forward Debt Service Cover Ratio (Forecast DSCR). The principal reason for the Forecast CFCR and the Forward DSCR were not met was the decision to proceed with the Area 5 development with its capital expenditure for the Consolidated Entity's 50% share being \$25 – 27.5 million over the next two years. On 31 July 2020, the Company announced that it paid out the principal and interest sum of the Citi Facility and the Company settled and closed out the associated derivative contracts.

As a result of the pay out of the Citi Facility, the final condition was satisfied with regard to the ACT Loan and the Company drew down the full A\$26,000,000.

# 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 Company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2020 and of their performance for the year ended on that date; and
  - (ii) complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b) and;
- (c) subject to the matters stated in note 2(c) of the financial report, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

As at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 37 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board.



**Brett Smith**  
**Executive Director**  
Perth, 15 September 2020

# INDEPENDENT AUDIT REPORT



Building a better  
working world

Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
ey.com/au

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

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Metals X Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 1(c) in the financial report. The conditions as set forth in Note 1(c) indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

PT:DA:MLX:038

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## 1. Recoverability of non-current assets

### Why significant

The Group's non-current assets comprising property, plant and equipment, exploration and evaluation expenditure and mine properties and development are required to be assessed for indicators of impairment in accordance with Australian Accounting Standards at each reporting date.

Where impairment indicators are identified, the applicable assets are required to be tested for impairment.

As at 31 December 2019, the Group identified impairment indicators for the Nifty cash generating unit ("CGU") as it was placed into care and maintenance during that half year period. The Group engaged external valuation specialists to perform an assessment of the recoverable amount of the property, plant and equipment (including stores and spares), exploration and evaluation expenditure and mine properties and development associated with the CGU using a fair value less costs of disposal ("FVLCD") basis (refer to Note 39 of the financial report).

It was determined that the recoverable amount of the Nifty CGU, based on the FVLCD model, assessed by the external independent experts, adjusted for economic obsolescence by the Group, was lower than the carrying amount resulting in an additional impairment loss of \$15.36 million being recorded as at 31 December 2019 (30 June 2019: \$64.20 million). No further indicators of impairment or reversal of impairment were identified by the Group as at 30 June 2020.

The Group's assessment of the recoverable amount of non-current assets required estimation and judgment regarding forward looking assumptions used, identifying comparable market transactions and considering economic obsolescence. Accordingly, this was considered to be a key audit matter.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Assessed the appropriateness of the Group's identification of indicators of impairment or reversal of impairment for its CGUs, including the consideration of the impact of COVID-19
- ▶ For recoverable amounts determined by the external independent experts engaged by the Group, as well as economic obsolescence adjustments made by the Group, we involved our valuation specialists to assess the valuation reports provided by the experts including assessing the:
  - ▶ Qualifications, competence and objectivity of the expert engaged by the Group
  - ▶ Valuation methodology adopted
  - ▶ Assumptions applied by the valuation expert
- ▶ Recalculated the impairment charge for the Nifty CGU after assessing the carrying amount of the Nifty CGU by the Group and the calculated recoverable amount
- ▶ Assessed the adequacy of the associated financial report disclosures.

# INDEPENDENT AUDIT REPORT



## 2. Rehabilitation Provision

### Why significant

As a consequence of its operations, the Group incurs obligations to restore and rehabilitate the area impacted by mining activities. Rehabilitation activities are governed by a combination of legislative requirements and Group policies.

As at 30 June 2020, the Group's statement of financial position includes provisions of \$50.65 million in respect of such obligations. During the year, a rehabilitation related expense of \$8.36 million, to increase the provision, was recognised as a result of the review of the environmental obligations associated with the Mt Bischoff project.

Estimating the costs associated with future rehabilitation activities requires considerable judgment for factors such as timing of the rehabilitation, the costs associated with the rehabilitation activities and economic assumptions such as discount rates and inflation rates.

Given the judgment involved in measuring the provision, this was considered to be a key audit matter.

### How our audit addressed the key audit matter

We evaluated the assumptions and methodologies used by the Group in determining their rehabilitation obligations.

Our audit procedures included the following:

- ▶ Considered the rehabilitation plans, to assess whether the cost estimates were reasonable and complied with Group policies and relevant legislative requirements. This included assessing costs against external data such as an independent expert's report obtained by the Group to assist its estimation of future rehabilitation costs
- ▶ Engaged our EY Climate Change and Sustainability Services ("CCaSS") team to assess the reasonableness of the cost estimates included in the rehabilitation provision model for selected projects
- ▶ Assessed the qualifications, competence and objectivity of the Group's internal and external experts that developed the cost estimates.
- ▶ Evaluated the Group's accounting treatment of changes in the rehabilitation provision from the prior year
- ▶ Assessed the mathematical accuracy of the calculations and the appropriateness of the inflation and discount rates
- ▶ Assessed the adequacy of the Group's disclosures relating to rehabilitation obligations.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

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

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

## Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

# INDEPENDENT AUDIT REPORT



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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Metals X Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in dark ink, appearing to read 'Ernst &amp; Young', is positioned above the printed name.

Ernst & Young

A handwritten signature in dark ink, appearing to read 'Philip Teale', is positioned above the printed name.

Philip Teale  
Partner  
Perth  
15 September 2020

# TABLES OF MINERAL RESOURCES AND ORE RESERVES AS AT 30 JUNE 2020

## Tin Division

### MINERAL RESOURCE ESTIMATES – CONSOLIDATED SUMMARY & ANNUAL COMPARISON

Project	Tonnes Kt	Tin Grade % Sn	Metal Kt Sn	Tonnes kt	Copper Grade % Cu	Metal Kt Cu
<b>30 June 2019</b>						
Renison Bell	17,550	1.50	263	17,550	0.20	35
Mt Bischoff	1,670	0.54	9	-	-	-
Rentails	23,890	0.44	104	23,890	0.22	53
	<b>43,110</b>	<b>0.87</b>	<b>376</b>	<b>41,440</b>	<b>0.21</b>	<b>88</b>
<b>Mining Depletion</b>						
Renison Bell	(850)	1.16	(10)	(850)	0.29	(3)
Mt Bischoff	-	-	-	-	-	-
Rentails	-	-	-	-	-	-
<b>Resource Adjustments</b>						
Renison Bell	1,850	2.08	38	150	2.71	4
Mt Bischoff *	(1,670)	0.54	(9)	-	-	-
Rentails	-	-	-	-	-	-
<b>30 June 2020</b>						
Renison Bell	18,550	1.57	292	18,550	0.20	37
Rentails	23,890	0.44	104	23,890	0.22	53
	<b>42,440</b>	<b>0.93</b>	<b>396</b>	<b>42,440</b>	<b>0.21</b>	<b>89</b>

### ORE RESERVE ESTIMATES – CONSOLIDATED SUMMARY & ANNUAL COMPARISON

The Ore Reserve estimates are a subset of the Mineral Resource estimates

Project	Ore Kt	Tin Grade % Sn	Metal Kt Sn	Ore Kt	Copper Grade % Cu	Metal Kt Cu
<b>30 June 2019</b>						
Renison Bell	8,100	1.02	82	8,100	0.21	17
Rentails	22,310	0.44	99	22,310	0.23	51
	<b>30,410</b>	<b>0.60</b>	<b>181</b>	<b>30,410</b>	<b>0.22</b>	<b>68</b>
<b>Mining Depletion</b>						
Renison Bell	(808)	1.17	(9)	(808)	0.32	(2)
Rentails	-	-	-	-	-	-
<b>Reserve Adjustments</b>						
Renison Bell	1,320	3.56	47	1,320	0.15	3
Rentails	-	-	-	-	-	-
<b>30 June 2020</b>						
Renison Bell	8,610	1.40	120	8,610	0.18	1
Rentails	22,310	0.44	99	22,310	0.23	51
	<b>30,920</b>	<b>0.60</b>	<b>181</b>	<b>30,920</b>	<b>0.21</b>	<b>66</b>

Notes: Renison Bell, Mount Bischoff and Rentails Resources and Reserves are 50% owned by Metals X.

The geographic region for Tin Mineral Resources and Ore Reserves is Australia.

For further details on Total Mineral Resource and Ore Reserve Estimates for the Tin Division refer to ASX announcement dated 17 June 2020.

\* The 30 June 2019 Renison Tin Operation Mineral Resource estimate included a defined Mineral Resource for the Mt Bischoff deposit. During the year a decision was made to rehabilitate the Mt Bischoff open pit which, when complete, will have the effect of sterilising the defined Mineral Resource. On this basis, BMTJV has written-off the Mt Bischoff Mineral Resource for the 30 June 2020 estimation.

## COPPER DIVISION

### MINERAL RESOURCE ESTIMATES – CONSOLIDATED SUMMARY & ANNUAL COMPARISON

Project	Copper		
	Kt	Grade %	Metal Kt
<b>30 June 2019</b>			
Nifty Sulphide	36,280	1.50	546
Nifty Oxide	4,330	0.86	37
Nifty Heap Leach	3,310	0.74	23
	<b>43,920</b>	<b>1.38</b>	<b>606</b>
<b>Mining Depletion</b>			
Nifty Sulphide	(680)	1.40	(10)
Nifty Oxide	-	-	-
Nifty Heap Leach	-	-	-
<b>Resource Adjustments</b>			
Nifty Sulphide	4,050	1.54	62
Nifty Oxide	-	-	-
Nifty Heap Leach	-	-	-
<b>30 June 2020</b>			
Nifty Sulphide	39,650	1.51	598
Nifty Oxide	4,330	0.86	37
Nifty Heap Leach	3,310	0.74	23
	<b>47,290</b>	<b>1.39</b>	<b>658</b>

Maroochydore Project	Copper			Cobalt		
	Kt	Grade % Cu	Metal Kt Cu	Kt	Grade ppm Co	Metal kt Co
<b>30 June 2019</b>						
Maroochydore Oxide	43,200	0.91	394	43,200	391	16.9
Maroochydore Sulphide	5,430	1.66	90	5,430	292	1.6
	<b>48,630</b>	<b>1.00</b>	<b>486</b>	<b>48,630</b>	<b>380</b>	<b>18.5</b>
<b>Mining Depletion</b>						
Maroochydore Oxide	-	-	-	-	-	-
Maroochydore Sulphide	-	-	-	-	-	-
<b>Resource Adjustments</b>						
Maroochydore Oxide	-	-	-	-	-	-
Maroochydore Sulphide	-	-	-	-	-	-
<b>30 June 2020</b>						
Maroochydore Oxide	43,200	0.91	394	43,200	391	16.9
Maroochydore Sulphide	5,430	1.66	90	5,430	292	1.6
	<b>48,630</b>	<b>1.00</b>	<b>486</b>	<b>48,630</b>	<b>380</b>	<b>18.5</b>

## COPPER DIVISION (CONT.)

### ORE RESERVE ESTIMATES – CONSOLIDATED SUMMARY & ANNUAL COMPARISON

The Ore Reserve estimates are a subset of the Mineral Resource estimates

Project	Copper		
	Ore Kt	Grade % Cu	Metal Kt Cu
<b>30 June 2019</b>			
Nifty Sulphide	<b>11,100</b>	<b>1.45</b>	<b>161</b>
<b>Mining Depletion</b>			
Nifty Sulphide	(680)	1.40	(10)
<b>Resource Adjustments</b>			
Nifty Sulphide *	<b>(10,420)</b>	<b>1.45</b>	<b>(151)</b>
<b>30 June 2020</b>			
Nifty Sulphide	-	-	<b>151</b>

Notes: The geographic region for Copper Mineral Resources and Ore Reserves is Australia.

For further details on Total Mineral Resource Estimates for the Copper Division refer to ASX announcement dated 10 March 2020.

\* On the 26th November 2019 the Company suspended mining the Nifty Sulphide deposit and placed the Nifty Copper Operation on care and maintenance pending the outcome of a strategic review to consider re-start scenarios. On this basis, the Company has taken the decision to withdraw the Ore Reserve estimation pending the completion of a re-start feasibility study.

## NICKEL DIVISION

### MINERAL RESOURCE ESTIMATES – CONSOLIDATED SUMMARY & ANNUAL COMPARISON

Project	Nickel			Cobalt			Fe <sub>2</sub> O <sub>3</sub>		
	Kt	Grade % Ni	Metal Kt Ni	Kt	Grade % Co	Metal Kt Co	Kt	Grade % Fe <sub>2</sub> O <sub>3</sub>	Metal Kt
<b>30 June 2019</b>									
Wingellina	182,560	0.92	1,684	182,560	0.07	132	182,560	45.30	82,701
Claude Hills	33,277	0.81	269	33,277	0.07	22	33,277	38.73	12,889
	<b>215,837</b>	<b>0.91</b>	<b>1,953</b>	<b>215,837</b>	<b>0.07</b>	<b>154</b>	<b>215,837</b>	<b>44.29</b>	<b>95,590</b>
<b>Mining Depletion</b>									
Wingellina	-	-	-	-	-	-	-	-	-
Claude Hills	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
<b>Resource Adjustments</b>									
Wingellina	-	-	-	-	-	-	-	-	-
Claude Hills	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
<b>30 June 2020</b>									
Wingellina	182,560	0.92	1,684	182,560	0.07	132	182,560	45.30	82,701
Claude Hills	33,277	0.81	269	33,277	0.07	22	33,277	38.73	12,889
	<b>215,837</b>	<b>0.91</b>	<b>1,953</b>	<b>215,837</b>	<b>0.07</b>	<b>154</b>	<b>215,837</b>	<b>44.29</b>	<b>95,590</b>

### ORE RESERVE ESTIMATES – CONSOLIDATED SUMMARY & ANNUAL COMPARISON

The Ore Reserve estimates are a subset of the Mineral Resource estimates

Project	Nickel			Cobalt			Fe <sub>2</sub> O <sub>3</sub>		
	Ore Kt	Grade % Ni	Metal Kt Ni	Ore Kt	Grade % Co	Metal Kt Co	Ore Kt	Grade % Fe <sub>2</sub> O <sub>3</sub>	Metal Kt
<b>30 June 2019</b>									
Wingellina	168,422	0.93	1,561	168,422	0.07	123	168,422	45.64	76,870
Claude Hills	-	-	-	-	-	-	-	-	-
	<b>168,422</b>	<b>0.93</b>	<b>1,561</b>	<b>168,422</b>	<b>0.07</b>	<b>123</b>	<b>168,422</b>	<b>45.64</b>	<b>76,870</b>
<b>Mining Depletion</b>									
Wingellina	-	-	-	-	-	-	-	-	-
Claude Hills	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
<b>Resource Adjustments</b>									
Wingellina	-	-	-	-	-	-	-	-	-
Claude Hills	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
<b>30 June 2020</b>									
Wingellina	168,422	0.93	1,561	168,422	0.07	123	168,422	45.64	76,870
Claude Hills	-	-	-	-	-	-	-	-	-
	<b>168,422</b>	<b>0.93</b>	<b>1,561</b>	<b>168,422</b>	<b>0.07</b>	<b>123</b>	<b>168,422</b>	<b>45.64</b>	<b>76,870</b>

Notes: The geographic region for Nickel Mineral Resources and Ore Reserves is Australia.

For further details on Total Mineral Resource and Ore Reserve Estimates for the Tin Division refer to ASX announcement dated 18 August 2016.

## COMPETENT PERSONS STATEMENT

The information in this report that relates to tin Mineral Resources was compiled by Bluestone Mines Tasmania Joint Venture technical employees and contractors under the supervision of Mr. Colin Carter B.Sc., who is a member of the Australian Institute of Geoscientists. Mr. Carter is a full-time employee of Bluestone Mines Tasmania Joint Venture, and has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Carter consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to copper Mineral Resources has been compiled by Metals X Limited technical employees under the supervision of Mr Kane Hutchinson BSc., who is a member of the Australasian Institute of Mining and Metallurgy. Mr Hutchinson is a full-time employee of the Company and has sufficient experience which is relevant to the style of mineralisation and types of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Hutchinson consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relate to tin Ore Reserves has been compiled by Bluestone Mines Tasmania Joint Venture technical employees under the supervision of Mr Mark Recklies, B Engineering (Mining Engineering), AusIMM. Mr Recklies is a full-time employee of Bluestone Mines Tasmania Joint Venture. Mr Recklies has sufficient experience which is relevant to the style of mineralisation and types of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Recklies consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to nickel Mineral Resources was compiled by Metals X technical employees and contractors under the supervision of Mr. Jake Russell B.Sc. (Hons), who is a member of the Australian Institute of Geoscientists. Mr Russell, is a contractor to the Company, and has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Russell consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to nickel Ore Reserves was compiled in 2016 by Metals X technical employees under the supervision of Mr Michael Poepjes, B Engineering (Mining Engineering), MSc (Min. Econ) AusIMM. Mr Poepjes was then a full-time employee of the Company. Metals X confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement of 18 August 2016 and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. Metals X confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original.

## STATEMENT OF GOVERNANCE ARRANGEMENTS AND INTERNAL CONTROLS

Governance of Metals X's Mineral Resources and Ore Reserves development and management activities is a key responsibility of the Executive Management of the Company.

Senior geological and mining engineering staff of the Company oversee reviews and technical evaluations of the estimates and evaluate these with reference to actual physical and cost and performance measures. The evaluation process also draws upon internal skill sets in operational and project management, ore processing and commercial/financial areas of the business.

The Chief Executive Officer (in consultation with senior staff) is responsible for monitoring the planning, prioritization and progress of exploratory and resource definition drilling programs across the Company and the estimation and reporting of resources and reserves. These definition activities are conducted within a framework of quality assurance and quality control protocols covering aspects including drill hole siting, sample collection, sample preparation and analysis as well as sample and data security.

A four-level compliance process guides the control and assurance activities:

1. Provision of internal policies, standards, procedures and guidelines;
2. Mineral Resources and Ore Reserves reporting based on well-founded assumptions and compliance with external standards such as the Australasian Joint Ore Reserves Committee (JORC) Codes;
3. Internal review of process conformance and compliance; and
4. Internal assessment of compliance and data veracity.

The objectives of the estimation process are to promote the maximum conversion of identified mineralisation into JORC 2012 compliant Mineral Resources and Ore Reserves.

Metals X reports its Mineral Resources and Ore Reserves on an annual basis, in accordance with ASX Listing Rule 5.21 and clause 14 of Appendix 5A (the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC code) 2012 Edition). A material change to the Nifty Copper Sulphide Ore Reserve estimate occurred during the reporting period as a result of the decision taken on the 26th November 2019 to suspended mining the Nifty Sulphide deposit and place the Nifty Copper Operation on care and maintenance pending the outcome of a strategic review to consider re-start scenarios. On this basis, the Company has taken the decision to withdraw the Nifty Sulphide Ore Reserve estimation pending the completion of a re-start feasibility study. No other material changes to the Mineral Resources and Ore Reserves have been made since the last annual reporting date.

Mineral Resources are quoted inclusive of Ore Reserves. Competent Persons named by Metals X are members of the Australasian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists, and qualify as Competent Persons as defined in the JORC Code.

# SECURITY HOLDER INFORMATION AS AT 1 SEPTEMBER 2020

## (a) Top 20 quoted Shareholders

Name	% Units	Units
J P Morgan Nominees Australia Pty Limited	14.13	128,181,507
Sun Hung Kai Investment Services Limited <CLIENT A/C>	8.77	79,536,595
National Nominees Limited <DB A/C>	6.53	59,262,627
HSBC Custody Nominees (Australia) Limited	5.82	52,805,566
Citicorp Nominees Pty Limited	5.64	51,145,179
Jinchuan Group Ltd	4.85	44,000,000
Farjoy Pty Ltd	4.51	40,897,831
HSBC Custody Nominees (Australia) Limited-GSCO ECA	2.86	25,953,819
All-States Finance Pty Limited	2.07	18,748,587
Miningnut Pty Ltd <Cloud Thirty SF A/C>	0.99	9,000,000
National Nominees Limited	0.88	7,959,081
Mrs Yuqin Zhuang	0.85	7,700,000
Mr Ram Shanker Kangatharan	0.73	6,605,479
CS Third Nominees Pty Limited <HSBC CUST NOM AU LTD 13 A/C>	0.68	6,170,338
Jetosea Pty Ltd	0.64	5,819,211
Mr Richard Farleigh	0.53	4,800,000
Ajava Holdings Pty Ltd	0.50	4,503,507
Whale Watch Holdings Limited	0.47	4,300,000
Mr Kon Tzimokas	0.44	4,000,000
Debortoli Wines Pty Limited	0.42	3,817,262
<b>Total</b>	<b>62.30</b>	<b>565,206,589</b>

## (b) Distribution of quoted ordinary shares

Size of Parcel	Number of Shareholders	Number of Shares
1 - 1,000	916	414,076
1,001 - 5,000	2,200	5,826,043
5,001 - 10,000	1,096	8,274,647
10,001 - 100,000	2,308	80,356,853
100,001 Over	639	812,394,448
<b>Total</b>	<b>7,159</b>	<b>907,266,067</b>

## (c) Number of holders with less than a marketable parcel of ordinary shares

	Number of Shareholders	Number of Shares
1 – 10,000	3,400	7,823,566

## (d) Substantial Shareholders

Shareholder	%	Number of shares
APAC Resources Strategic Holding Limited	15.31	130,627,608
Argyle Street Management Limited	12.08	109,583,251
Old Peak Group Limited	8.43	76,469,553

## (e) Voting Rights

The voting rights for each class of security on issue are:

*Ordinary fully paid shares*

Each ordinary shareholder is entitled to one vote for each share held.

*Options*

The holders of options have no rights to vote at a general meeting of the company.

## (f) Unquoted Equity Securities

Number of Options	Exercise Price	Expiry Date	Number holders
5,250,000	\$1.32	30/11/2020	8
632,277	\$0.00	30/06/2023	7
6,102,055	\$0.00	30/06/2024	12



**METALS**   
LIMITED

ABN 25 110 150 055