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metalicity

ABN 92 086 839 992

Half-year report for the half-year ended
31 December 2017

**Half-year report for the half year
ended 31 December 2017**

Corporate Directory

Directors

Andrew Daley – Non-executive Chairman
Matthew Gauci – Managing Director
Mathew Longworth – Non-executive Director
Justin Barton – Executive Director (Appointed 1 January 2018)
Christopher Bain – Non-executive Director (Retired 1 January 2018)

Company Secretary

Neil Hackett

Auditors

Stantons International
Level 2
1 Walker Avenue
WEST PERTH WA 6005

Solicitors

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

Bankers

ANZ Banking Group Ltd
1275 Hay Street
WEST PERTH WA 6005

Registered Office

6 Outram Street
WEST PERTH WA 6005
Telephone: +61 8 9324 1053
Facsimile: +61 8 9324 3366

Share Registry

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

Stock Exchange Listing

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

Web Site: www.metalicity.com.au

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**Half-year report for the half year
ended 31 December 2017**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Metalicity Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

The Directors of Metalicity Limited (“the Company”) submit herewith the condensed consolidated financial statements of the Company and its subsidiaries (“the Group”) for the half-year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information about the Directors and senior management

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

Name	Particulars
Matthew Gauci	Managing Director
Andrew Daley	Non-Executive Chairman
Mathew Longworth	Non-Executive Director
Justin Barton	Executive Director (Appointed 1 January 2018)
Christopher Bain	Non-Executive Director (Retired 1 January 2018)

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

The loss after tax for the half-year ended 31 December 2017 was \$1,166,323 (2016: Loss \$1,581,342).

Lennard Shelf Zinc Project

During the period, Metalicity Limited (**ASX:MCT**) strengthened its zinc project pipeline through the exercise of the option to acquire the high grade Napier Range Zinc Project and the Emanuel Range Zinc Project (collectively the Lennard Shelf Zinc Project), located in the Lennard Shelf of the Kimberley Region, WA. Napier Range represents a low capital and near term producing zinc production opportunity, while Emanuel Range represents an early stage but highly prospective zinc exploration project with an extensive 30km strike of largely untested targets. These projects will complement the development of its large scale long life Admiral Bay Zinc Project, located in the adjoining Canning Basin of the Kimberley Region, WA.

The Napier Range Zinc Project consists of 2 granted mining licenses, an exploration license application and a granted general purpose license. It includes the Wagon Pass deposit, with a JORC 2012 compliant Inferred Mineral Resource Estimate of 750Kt at 5.8% Zn, 7.2% Pb, 54g/t Ag (13.6% ZnEq) and an adjoining Exploration Target Range (ETR) of 100Kt-200Kt at 10%-13% ZnEq.

In addition to the Wagon Pass deposit the project area is considered to be significantly under-explored for additional deposits 0.5 to 1 Mt size. Based on the CSA Global analysis the Company is targeting multiple occurrences of 0.5-1Mt size, resulting in an Exploration Target Range (ETR) at Napier Range of 1-4 Mt @ 10-15% ZnEq. The grade and tonnage range is based on the grade and geometry of the Wagon Pass deposit, and the clustering nature of this deposit type.

Additional details on key parameters of the ETR are presented in ASX Announcement “High Grade Near Surface Zinc Projects” on 30/10/17. The Exploration Target Ranges (ETR) stated above are conceptual in nature and the potential quantities and grades are conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource Estimate outside that known at Wagon Pass, and it is uncertain whether further exploration will result in the estimation of additional Mineral Resources.

The Emmanuel Range Zinc Project consists of one exploration tenement and two tenement applications in close proximity to the Pillara, Kapok, Cadjebut and Goongewa Mines, in the Emmanuel Range of the Kimberley Region, WA. All of the tenements in this project cover the prospective stratigraphy and structural positions, in very close proximity to existing deposits or mines. For example, E04/2453 is located less than 2km from the Pillara deposit, the largest Pb-Zn deposit yet discovered in the Lennard Shelf.

Metalicity has completed the acquisition of 100% of the Napier Range and Emmanuel Range Projects via the following payments, which may, via agreement between both parties be extended and/or amended:

- A\$450,000 cash by February, 2018
- A\$500,000 cash 6 months thereafter August, 2018
- A\$1,000,000 cash 6 months thereafter by February, 2019

DIRECTORS' REPORT (CONTINUED)

Meridian is a fully owned subsidiary of Chinese State-Owned Enterprise, Northwest Nonferrous International Investment Company Ltd (Northwest). If appropriate the Company will seek to negotiate more favourable terms on the transaction for these the projects with Northwest.

Note that Lennard Shelf Pty Ltd (a 50:50 joint venture between Glencore and Teck) retain an option to earn a 51% participating interest in the Wagon Pass tenements if a **new** JORC Inferred Resource has been **discovered**, by either completing and sole funding a Feasibility Study, or spending \$20M on the assessment of the inferred resources. Metalicity has held discussions with both Glencore and Teck regarding this option and will update the market should any investment and/or amendment to the agreement be reached.

Admiral Bay Zinc Project

On 19 July 2017, the Company signed a Memorandum Of Understanding (MOU) with China Minmetals ("CMN") for future offtake from Admiral Bay. The MOU contemplates the supply of an initial 10% of future offtake from Admiral Bay in exchange for preliminary metallurgical and beneficiation testwork.

The Company's metallurgical and mineral processing test work carried out to date delivered positive results including (1) The material does not currently demonstrate any deleterious metallurgical behaviour (2) It appears readily amenable to processing through a simple, conventional flotation plant to achieve high zinc, lead and silver recoveries (3) Preliminary metal recovery expectations are in the range of 90-95% across zinc, lead and silver (4) Concentrate product grades were good (Pb +60% and Zn +48%), although selectivity of zinc and lead was not ideal and there is scope for further optimisation (see ASX:MCT 27/7/16).

The preliminary metallurgical testwork study by CMN was undertaken by Changsha Institute of Mining Research Co., Ltd under the commissioning of CMN on 52.4kg of diamond core from drill holes ABRD005, ABRD006, ABRD008 and ABRD009 located primarily within the high-grade zone of Admiral Bay and located within the granted mining license (ML4/249). The core was selected to be representative of the Admiral Bay orebody and an advance on previous testwork.

Positive results were received including:

- (1) Samples were characterised as zinc-lead primary sulphides with the main recoverable minerals being sphalerite and galena. The mineralogy was characterised as sphalerite, galena, pyrite and chalcocopyrite, with gangue minerals being mainly calcite, quartz, barite and sericite.
- (2) Sequential flotation is the preferred method with lead flotation followed by zinc flotation from lead tailings. The reagent regimes selected were: (a) CaO (Lime) was chosen to depress pyrite, with (b) ZnSO₄ and NaSO₃ selected to depress zinc and (c) ETC and BX have a selective collecting effect on Lead minerals, these were adopted as a collector blend in the Lead flotation
- (3) Full process, close-circuit, tests were carried out with Zinc recoveries of 88.27% to a zinc concentrate with a grade of 51.27% Zn and 181.2 g/t Ag achieved, while Lead recoveries to lead concentrate were 91.88% at a lead concentrate grade of 65.13% Pb and 137g/t Ag.
- (4) The grade of deleterious elements will not attract penalties.
- (5) Gold and silver are up to 0.23g/t Au and 23.22g/t Ag respectively with a significant recovery value.

During the period, China Non-Ferrous Metals (NFC) formally notified the Company of the successful completion of a detailed review (Review) of the technical and financial parameters of the Admiral Bay Zinc Project PFS Stage 1 report (see ASX:MCT 10/10/17) supporting the MOU signed with the NFC holding company CNFC Equipment Co., Ltd ("CNFC") for the feasibility, development and financing of Admiral Bay (see ASX:MCT 8/2/17).

CNFC is the major engineering and equipment arm of NFC in the resources and mining sector and has established markets in the Middle East, Central and North Asia, Central and South Africa, and is seeking further projects related to resources in developed resources and mining markets such as Australia. CNFC is an organization with a strong track record in supporting the development of large, long life projects, including Mehdiabad, Citronen, Talla Hamza and other projects in Northern China including the "City of Zinc". NFC has entered the Shenzhen 100 Stock Index and Shanghai-Shenzhen 300 Composite Index.

DIRECTORS' REPORT (CONTINUED)

The Review is a key term of the MOU between the Companies and a strong endorsement of the technical and financial parameters of the Admiral Zinc Project PFS Stage 1 report, establishing a framework for the Project Study at the completion of the PFS, incorporating NFC EPC costings. The Project Study is anticipated to significantly reduce overall capital and operating costs, reduce long lead items times, accelerate development timelines and overall economics, and in turn support a binding agreement regarding the feasibility, development and financing of Admiral Bay.

Kyarra Cobalt Project

During the period, the Company completed an initial 1,800m RC drill program at the Kyarra Cobalt project following recent desktop and field work where another 65 rock chip samples were collected including significant results of up to 1500 ppm Co and >1% Zn in weathered near-surface rock chips were received, across the entire outcrop area sampled. Some of the cobalt anomalism has been observed to be associated with west-north-west striking breccia zones interpreted to be related to deep-seated structures and to represent part of a plumbing system for metalliferous fluids upward and southwards into suitable trap horizons.

Of particular note are the generally steep dips of units (typically >50° to the south and southeast), which indicate significant disruption of the units in this area in contrast to the generally held view of the Yerrida Basin units being flat lying. Due to significant delays in the delivery and then processing of the samples, largely out of the control of the Company, results and interpretation of the program will be due shortly.

The drilling intersected sandstones of the Yelma Formation unconformably overlying Maraloo Formation black shales. Holes were terminated within black shale at a predetermined depth. Locally, anomalous analytical results were associated with quartz veining, related to fractures and brecciation, was intersected. The downhole quartz zones are possibly correlative with quartz float at surface, and related to the west-north-west trending breccia zones.

Drill holes encountered a consistent near-surface base metal enrichment zone, interpreted to be a regolith enrichment zone, which may account for some of the anomalous results in surface samples. More interestingly, an 8m to 12m thick, shallow south-dipping zone of anomalous base metal (400–500ppm Cu and 50–60ppm Co) was intersected in all drill holes. These values represent around 4x the Cu background and about 2x the Co background values.

This anomalism is considered significant because in the Central African Copperbelt – the source of the exploration model – there are multiple mineralised horizons (associated with minor redox boundaries) found above the basal productive zone. The Company will now focus its efforts to target the base of the Maraloo Formation and the main transition zone from the underlying “red-bed” sandstones, which represents the primary target and most prospective setting for significant mineralisation.

For further information related to Kyarra Cobalt Project see ASX Announcement “Significant Cobalt intersections at Kyarra” on the 14/11/17.

Pilbara Lithium Project

During the period, the Company completed an initial 500-600m RC drill program at the Pilgangoora North Project aimed at testing for mineralized pegmatites extending north into the southern parts of the tenement, below the pegmatites already mapped at surface. Drilling intersected pegmatites in every hole. Anomalous lithium was intersected in every hole.

Subsequent to the drilling program, the Company appointed lithium experts from CSA Global to undertake a project review and targeting exercise across the Company’s Pilbara Lithium projects. The results were very positive with a number of new targets identified that have yet to be systematically tested with modern exploration techniques.

For further information related to Pilbara Lithium Project see ASX Announcement “Lithium Projects Exploration Update” on the 7/11/17.

DIRECTORS' REPORT (CONTINUED)**Auditor's independence declaration**

The auditor's independence declaration is included on page 6 of the half-year report.

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

On behalf of the Directors



Matthew Gauci
Managing Director
Perth, Western Australia

13 February 2018

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trading as

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www.stantons.com.au

13 February 2018

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

Dear Directors

RE: METALICITY LIMITED

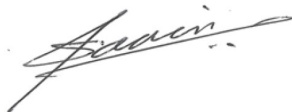
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Metalicity Limited.

As Audit Director for the review of the financial statements of Metalicity Limited for the six months ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

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



Samir Tirodkar
Director

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
METALICITY LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Metalicity Limited, which comprises the consolidated condensed statement of financial position as at 31 December 2017, the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity, and consolidated condensed statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Metalicity Limited (the consolidated entity). The consolidated entity comprises both Metalicity Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Metalicity Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Metalicity Limited on 13 February 2018.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

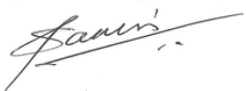
Inherent Uncertainty Regarding Going Concern

Without qualification to the review conclusion expressed above, attention is drawn to the following matter.

As referred to in note 1(d) to the financial report, the financial report has been prepared on a going concern basis. At 31 December 2017, the company had net assets of \$2,612,128, cash and cash equivalents of \$1,531,169 and net working capital surplus of \$907,195. The company had incurred a loss for the period ended 31 December 2017 of \$1,166,323.

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

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

Stantons International Audit and Consulting Pty Ltd


Samir Tirodkar
Director

West Perth, Western Australia
13 February 2018

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**Consolidated condensed statement of profit or loss and other comprehensive income
for the half-year ended 31 December 2017**

	Note	Consolidated	
		31 December 2017 \$	31 December 2016 \$
Revenue from continuing operations	3	203,888	72,600
Expenses	4	(1,370,211)	(1,653,942)
Loss before income tax expense		(1,166,323)	(1,581,342)
Income tax expense		-	-
Loss after income tax		(1,166,323)	(1,581,342)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(1,166,323)	(1,581,342)
Loss attributable to:			
Owners of the parent		(1,166,323)	(1,581,342)
Non-controlling interest		-	-
		(1,166,323)	(1,581,342)
Total comprehensive loss attributable to:			
Owners of the parent		(1,166,323)	(1,581,342)
Non-controlling interest		-	-
		(1,166,323)	(1,581,342)
Basic loss per share (cents)	5	(0.23)	(0.35)
Diluted loss per share (cents)	5	(0.23)	(0.35)

The accompanying notes form part of these financial statements.

**Consolidated condensed statement of financial position
as at 31 December 2017**

	Note	Consolidated	
		31 December 2017 \$	30 June 2017 \$
Current assets			
Cash and cash equivalents		1,531,169	1,823,365
Trade and other receivables		355,185	60,761
Other assets		78,882	76,178
Total current assets		1,965,236	1,960,304
Non-current assets			
Exploration and evaluation expenditure	6	8,753,368	7,372,235
Plant & equipment		4,745	8,373
Total non-current assets		8,758,113	7,380,608
Total assets		10,723,349	9,340,912
Current liabilities			
Trade and other payables		525,506	367,613
Provision		32,535	41,009
Acquisition costs payable	7	500,000	-
Total current liabilities		1,058,041	408,622
Non-current liabilities			
Deferred income	8	7,053,180	7,053,180
Total non-current liabilities		7,053,180	7,053,180
Total liabilities		8,111,221	7,461,802
Net assets		2,612,128	1,879,110
Equity			
Issued Capital	9	43,877,270	41,977,929
Other reserves		1,881,167	1,881,167
Accumulated losses		(43,146,309)	(41,979,986)
Total equity		2,612,128	1,879,110

The accompanying notes form part of these financial statements.

**Consolidated condensed statement of changes in equity
for the half-year ended 31 December 2017**

	Issued Capital	Share Based Payments Reserve	Option Premium Reserve	Accumulated losses	Total
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2017	41,977,929	1,879,667	1,500	(41,979,986)	1,879,110
Loss for the period	-	-	-	(1,166,323)	(1,166,323)
Total comprehensive loss for the period	-	-	-	(1,166,323)	(1,166,323)
Shares issued	1,972,200	-	-	-	1,972,200
Share based payments	-	-	-	-	-
Issue costs	(72,859)	-	-	-	(72,859)
Total transactions with owners	1,899,341	-	-	-	1,899,341
Balance at 31 December 2017	43,877,270	1,879,667	1,500	(43,146,309)	2,612,128
Consolidated					
Balance at 1 July 2016	41,257,521	943,167	1,500	(39,154,541)	3,047,647
Loss for the period	-	-	-	(1,581,342)	(1,581,342)
Total comprehensive loss for the period	-	-	-	(1,581,342)	(1,581,342)
Shares to be issued	110,000	-	-	-	110,000
Share based payments	-	789,492	-	-	789,492
Issue costs	-	-	-	-	-
Total transactions with owners	110,000	789,492	-	-	899,492
Balance at 31 December 2016	41,367,521	1,732,659	1,500	(40,735,883)	2,365,797

The accompanying notes form part of these financial statements.

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**Consolidated condensed statement of cash flows
for the half-year ended 31 December 2017**

Note	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(1,677,657)	(1,936,862)
Interest received	-	6,709
Other income	52,127	7,510
Net cash used in operating activities	<u>(1,625,530)</u>	<u>(1,922,643)</u>
Cash flows from investing activities		
Payment for acquisition of tenements	(100,000)	-
Proceeds from disposal of tenements	50,000	-
Payment for plant and equipment	(285)	(6,915)
Net cash used in investing activities	<u>(50,285)</u>	<u>(6,915)</u>
Cash flows from financing activities		
Proceeds from share issue	1,472,200	110,000
Issue costs	(72,859)	-
Net cash provided by financing activities	<u>1,399,341</u>	<u>110,000</u>
Net (decrease) in cash and cash equivalents	(276,474)	(1,819,558)
Cash and cash equivalents at the beginning of the financial period	1,823,365	4,924,011
Effects of exchange rate changes on the balance of cash held in foreign currencies	(15,722)	52,981
Cash and cash equivalents at the end of the financial period	<u>1,531,169</u>	<u>3,157,434</u>

The accompanying notes form part of these financial statements.

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**Notes to the consolidated financial statements for the
half-year ended 31 December 2017**

1. Significant accounting policies

a. Statement of compliance

The half-year financial report is a general purpose financial report which was prepared in accordance with the Corporations Act 2001 and Accounting Standards AASB 134, Interim Financial Reporting where possible (refer to "Basis of preparation" note below). The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

b. Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Metalicity Limited and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 13 February 2018.

c. Accounting Policies

The Group has considered the implications of new and amended Accounting Standards which became effective 1 January 2017 but determined that their application to the financial statements is either not relevant or not material.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2017 annual financial report for the financial year ended 30 June 2017. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

d. Going Concern

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

For the half year ended 31 December 2017, the Group recorded a loss of \$1,166,323 (2016: loss \$1,581,342).

The Group has a working capital surplus of \$907,195 at 31 December 2017 (June 2017: surplus of \$1,551,682).

On 5 February 2018, the Company announced that it had agreed to terms of a brokered private placement to raise \$2.61 million via the issue of 58.25 million shares at 4.5c per share, with a 1 for 2 free attaching option exercisable at 8c with a five year term. \$451,000 has been received at the date of issue of these interim financial statements.

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

**Notes to the consolidated financial statements for the
half-year ended 31 December 2017**

1. Significant accounting policies (continued)

e. Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of the Company as at 31 December 2017 and the results of the subsidiaries for the period then ended.

Stuart Town Gold Pty Ltd, Metalicity Energy Pty Ltd and Ridgecape Holdings Pty Ltd are the subsidiaries over which the Company has the power to govern the financial and operating policies as the holder of all of the voting rights. The subsidiaries are fully consolidated from their date of acquisition. Consolidation will cease from the date that control of the subsidiary ceases. Any and all intercompany transactions and balances between the Company and the subsidiaries are eliminated on consolidation.

2. Segment information

Identification of reportable segments

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

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

3. Revenue

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

	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Gain on sale of tenements	77,615	-
Gain on sale of shares	74,147	-
Rental income	36,094	5,400
Foreign exchange gains	-	52,981
Interest earned	1,140	6,709
Other income	14,892	7,510
	203,888	72,600

**Notes to the consolidated financial statements for the
half-year ended 31 December 2017**

4. Expenses

	Consolidated	
	31 December 2017 \$	31 December 2016 \$
Accounting & audit	19,040	43,350
ASX	20,667	21,638
Company secretarial fees	24,000	19,500
Consulting fees	118,447	39,000
Depreciation	3,913	1,552
Directors' remuneration - cash	184,491	180,647
Directors' remuneration – share based payment	-	145,705
Other – share based payment	-	643,787
Foreign exchange loss	15,722	-
Insurance	11,021	9,036
Impairment expense	493,061	-
Investor relations	33,173	4,457
Legal fees	42,732	47,111
Project work and generation - cash	36,671	137,465
Rent & office costs	110,009	68,476
Salaries and on costs	98,993	83,596
Share registry fees	29,423	15,858
Travel & accommodation	61,987	43,519
Other	66,861	149,245
Total Expenses	1,370,211	1,653,942

5. Earnings/(loss) per share

	Consolidated	
	31 December 2017 Cents	31 December 2016 Cents
(a) Basic loss per share		
Loss attributable to the ordinary equity holders of the Company	(0.23)	(0.35)
(b) Diluted loss per share		
Loss attributable to the ordinary equity holders of the Company	(0.23)	(0.35)
(c) Reconciliation of loss used in calculating earnings per share		
<i>Basic and diluted loss per share</i>		
Loss attributable to the ordinary equity holders of the Company	(1,166,323)	(1,581,342)

**Notes to the consolidated financial statements for the
half-year ended 31 December 2017**

5. Earnings/(loss) per share (continued)

	Consolidated	
	31 December 2017 Number	31 December 2016 Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share	508,496,786	451,305,524
Adjustment for calculation of diluted earnings/(loss) per share – Options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share	<u>508,496,786</u>	<u>451,305,524</u>

6. Exploration and evaluation expenditure

	Consolidated	
	31 December 2017 \$	30 June 2017 \$
Opening balance	7,372,235	5,357,642
Acquisition of tenements	1,093,927	800,979
Expenditure incurred	961,882	2,038,221
Tenements sold	(181,615)	-
Impairment expense	(493,061)	(824,607)
Closing balance	<u>8,753,368</u>	<u>7,372,235</u>
Total expenditure incurred and carried forward in respect of specific projects		
Admiral Bay Project	5,745,748	5,349,877
Napier and Emmanuel Range Projects	1,095,564	-
Lynas Find and Other	1,912,056	1,651,819
Rocky Gully Project	-	370,539
	<u>8,753,368</u>	<u>7,372,235</u>

Royalty Security

The Company has issued two equal first ranking mining mortgages over one or more of the tenements comprising the Admiral Bay Project.

7. Acquisition costs payable

During the period ended 31 December 2017, the Company acquired 100% of Ridgecape Holdings Pty Ltd (“Ridgecape”) for consideration of \$100,000 cash at time of settlement, \$500,000 in Metalicity Limited shares at time of settlement (tranche 1 shares) and \$500,000 in Metalicity Limited shares upon settlement of the Napier Range project acquisition by Ridgecape (tranche 2 shares). The tranche 2 shares payable remain outstanding at 31 December 2017.

**Notes to the consolidated financial statements for the
half-year ended 31 December 2017**

8. Deferred income

The Company sold a 1% Net Smelter Royalty over the Admiral Bay Project for US\$5,000,000 (AUD\$7,053,180). The Company has recognised this amount as deferred income and will recognise the income upon the commencement of production, over the life of the mine/Net Smelter Royalty. This amount is not refundable.

9. Contributed equity

(a) Issued share capital

	Consolidated	
	31 December 2017	30 June 2016
	\$	\$
519,328,024 (30 June 2017: 464,544,654) fully paid ordinary shares	43,877,270	41,977,929

(b) Movement in ordinary share capital

Date	Details	Number of shares	\$
01/07/2017	Opening balance	464,544,654	41,977,929
08/08/2017	Share placement at \$0.036	25,233,333	860,540
07/09/2017	Share Purchase Plan at \$0.036	14,661,149	502,801
20/09/2017	Share issue for Ridgescape acquisition	13,888,999	500,000
07/11/2017	Share placement at \$0.036	1,000,000	36,000
31/12/2017	Balance at the end of the period	519,328,024	43,877,270

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

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

**Notes to the consolidated financial statements for the
half-year ended 31 December 2017**

10. Options

As at 31 December 2017, there were 129,916,670 unissued ordinary shares under option (30 June 2017: 117,150,000). These options are exercisable as follows:

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

	31 December 2017 No.	30 June 2017 No.
Balance at beginning of the period	117,150,000	82,650,000
Granted during the period*	12,766,670	46,000,000
Exercised during the period	-	(9,500,000)
Forfeited/expired during the period	-	(2,000,000)
Balance at the end of the period	129,916,670	117,150,000

* Free attaching options granted as part of entitlement issue.

11. Share Based Payments

(a) Recognised share-based payment expense

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

	Consolidated	
	31 December 2017 \$	31 December 2016 \$
Expense arising from equity-settled share-based payment transactions	-	789,492

(b) Types of share-based payment plans

(i) Options

There were no share based payments relating to options issued for the period ended 31 December 2017 (2016: \$789,492).

(ii) Shares

There were no share based payments relating to shares issued for the period ended 31 December 2017 (2016: Nil).

**Notes to the consolidated financial statements for the
half-year ended 31 December 2017**

12. Commitments

In order to maintain the mineral tenements in which the Group is involved, the Group is committed to fulfill the minimum annual expenditure conditions under which the tenements are granted. Minimum annual expenditure required to maintain the Group's tenements is \$1,198,300. This obligation is capable of being varied from time to time. Exploration expenditure commitments beyond this time cannot be reliably determined.

13. Contingent liabilities

The Company paid stamp duty of \$581,015 on the acquisition of the Admiral Bay Project, based on an assessment value of \$11.4m. The Company had lodged an objection with the Office of State Revenue (OSR) seeking a refund. On 3 February 2017, the Office of State Revenue communicated that a compromise assessment be issued and that duty of the transaction be assessed in the amount of \$695,715 (based on a dutiable value of \$13.4m plus costs). The Company provided a counter offer to settle. On 13 December 2017, the OSR rejected the Company's counter offer and have provided a draft statement of grounds reassessing the duty on the transaction in the amount of \$993,127 (including costs and penalty tax). The Company has lodged an objection to this draft statement of grounds.

14. Subsequent events

On 1 January 2018, the Company announced the resignation of Mr Chris Bain from the Board and the appointment of Mr Justin Barton as an Executive Director.

On 29 January 2018, the Company announced the completion of the acquisition of the high grade Napier Range Zinc Project, located in the Lennard Shelf of the Kimberley Region, WA. Metalicity will settle the acquisition of 100% of the Napier Range and Emmanuel Range Projects via the following payments, which may, via agreement between both parties by extended and/or amended:

- A\$450,000 cash by February, 2018
- A\$500,000 cash 6 months thereafter August, 2018
- A\$1,000,000 cash 6 months thereafter by February, 2019

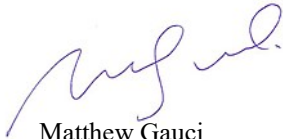
On 5 February 2018, the Company announced that it had agreed to the terms of a brokered private placement with Australian and international institutional and sophisticated investors co-led by Echelon Wealth Partners Inc. and Paradigm Capital Inc. The Private Placement to raise up to A\$2.29M is via the issue of 51.97M shares at A4.5c per share, with a 1 for 2 free attaching option exercisable at A8c with a five-year term. \$451,000 has been received at the date of issue of these interim financial statements.

Directors' declaration

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

- (a) the financial statements and notes set out on pages 9 to 19 are in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the financial position of the Group as at 31 December 2017 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
- (b) as set out in Note 1(d), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



Matthew Gauci
Managing Director
Perth, Western Australia

13 February 2018