High Grade Metals

Interim Financial Report

For the Half-Year Ended 30 June 2019

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High Grade Metals

CORPORATE INFORMATION

Board of Directors

Mr Anthony Hall –Executive Chairman
Mr Bradley Drabsch – Executive Director
Mr Adrien Wing – Non-Executive Director
Mr Steven Formica – Non-Executive Director

Company Secretary

Mr Adrien M Wing

Registered Office

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Company website

www.highgrademetals.com.au

Australian Securities Exchange Listing

Code: HGM (previously: QNL)

Auditors

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Level 7
420 King William Street
ADELAIDE SA 5000

Share Registry

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NEDLANDS WA 6009
Phone: +61 8 9389 8033

Australian Solicitors

Baker McKenzie
Tower One – International Towers Sydney
Level 46, 100 Barangaroo Avenue
SYDNEY NSW 2000

Austrian Solicitors

Baker McKenzie
Diwok Hermann Petsche Rechtsanwälte
LLP & Co KG
Schottenring 25
1010 WIEN
AUSTRIA

DIRECTORS' REPORT

Your Directors submit their report for High Grade Metals Limited ("the Company" or "HGM") and its controlled entities ("the Group") for the six month period ended 30 June 2019 (prior period comparatives for the 6 month ending 31 December 2018).

DIRECTORS

The names of the Company's directors in office during the financial period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Director	Position	Appointed	Last elected or re-elected	Resigned
Mr A Hall	Executive Chairman(iii)	11 February 2019	29 May 2019	-
Mr B Drabsch	Executive Director (iv)	3 April 2019	29 May 2019	-
Mr A Wing	Non-Executive Director(i)	8 October 2018	30 November 2018	-
Mr S Formica	Non-Executive Director(ii)	3 January 2017	24 November 2017	-
Mr S Francis	Non-Executive Chairman	8 October 2018	30 November 2018	11 February 2019
Mr T Marshall	Managing Director	26 February 2018	19 January 2018	11 February 2019
Mr H Locke	Non-Executive Director	26 February 2018	19 January 2018	11 February 2019

(i) Appointed Company Secretary on 8 October 2018.

(ii) Retired as Chairman on 8 October 2018.

(iii) Appointed Executive Chairman on 11 February 2019.

(iv) Appointed Executive Director on 3 April 2019

COMPANY SECRETARY

Mr Adrien Wing was appointed company secretary on 8 October 2018.

Mr Wing is a certified practicing accountant. He worked in audit and corporate advisory of a chartered accounting firm before working with a number of public companies listed on the ASX as a corporate and accounting consultant and company secretary.

COMPANY REVIEW

The principal activity of the Group during the financial period was mineral exploration including the exploration and evaluation of opportunities located domestically and internationally.

The Group (through its wholly-owned subsidiary APC, and APC's wholly-owned Austrian subsidiaries) is the sole holder of a 100% legal and beneficial interest in the Projects.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

<u>Operations</u>

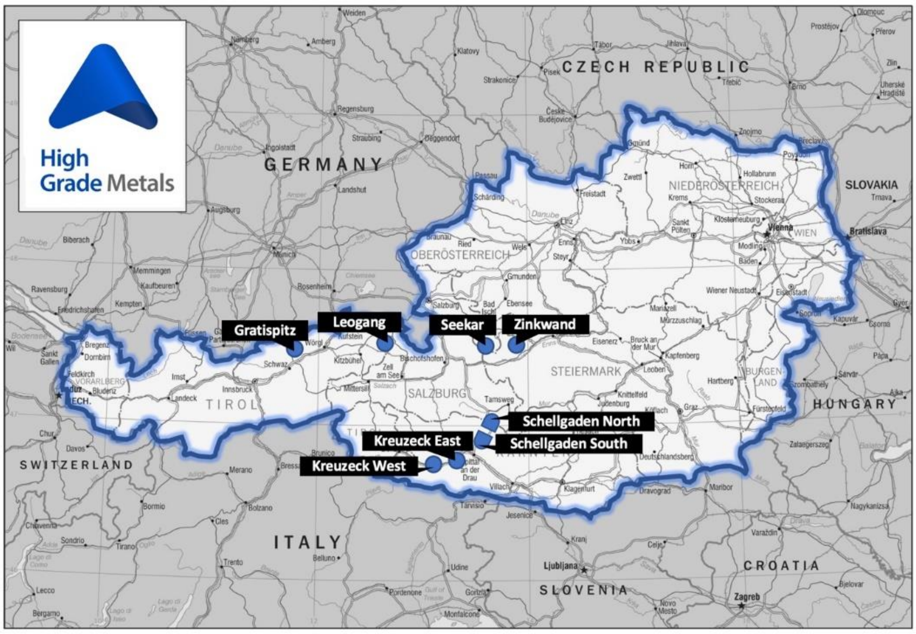

Figure 1: Location map of all projects that the Company has within Austria

Austrian Gold Projects

The Company has a 100% interest in five Austrian gold projects covering a total of 200km^2.

1. **Schellgaden North Gold Project**

   The project lies within an exploration area of 36 overlapping Freischürfe covering an area of 34km². Located in the historic Schellgaden Mining District (refer Figure 2 below), named after the village of Schellgaden, the focus of the district gold production until the early years of the 20th Century. Gold mining at Schellgaden dates back to pre-Roman times. Known gold mines, such as Stüblbau, date back to the 12th-13th Century and the smaller Schulterbau Mine is likely to be considerably older. Chroniclers described the presence of some 150 gold mines during the heyday of mining in the 16th Century. Accordingly, Schellgaden has been considered one of the richest and most active gold mining districts in Austria. Although frequently interrupted, mining activity continued until the first half of the 20th Century.

2. **Schellgaden South Gold Project**

   The project lies within an exploration area of 121 overlapping Freischürfe covering an area of 68km². The project covers the southern extension of the Schellgaden North Gold Project.

3. **Goldeck-Siflitz Gold Project**

   The project lies within an exploration area of 37 overlapping Freischürfe covering an area of 27.6km². The project covers the historic mine workings of Guginock. The area has been known from the Middle Ages for its deposits of gold and antimony. The large number of mine dumps and traces of collapsed mine entrances that occur across the exploration area, provide testimony to its long history of mining. To the north of the project area lies the ancient Siflitz Gold Mining District, which was exploited during the 16th and 17th centuries from over 106 independent mine sites.

4. **Kreuzeck East Gold Project**

   The project lies within an exploration area of 42 overlapping Freischürfe covering an area of 20.5km². The project covers two famous old mining districts; the high grade gold mines north of Lengholz and the stibnite deposits of Lessnig-Radlberg that sit within the Goldeck-Kreuzeck Mining District. Compared to the other projects, little is known about these mines and others within the project area as they have been abandoned for some time and are inaccessible.

5. **Kreuzeck West Gold Project**

   The project lies within an exploration area of 44 overlapping Freischürfe covering an area of 23.9km². The projects also sits within the Goldeck-Kreuzek Mining District and includes four significant historical mines; Rabant, Gurskerkammer, Fundkofel, and Knappenstube-Strieden.

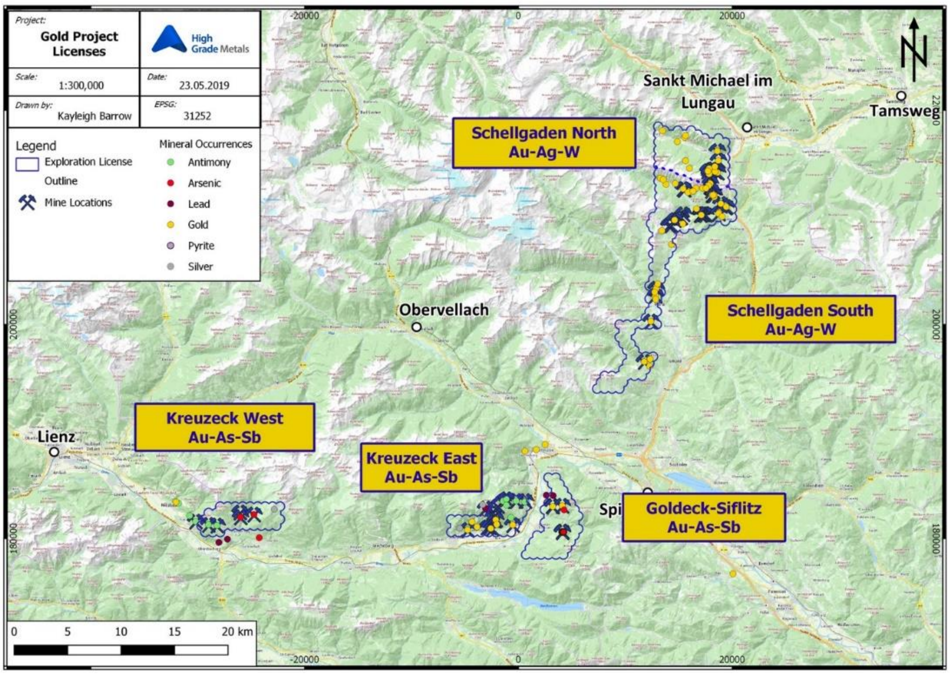

Figure 2: Location map showing the Company's Austrian Gold Projects

Austrian Copper, Cobalt and Nickel Projects

The Company has a 100% interest in four Austrian projects covering a total of 85km^2.

1. **Leogang Cobalt, Copper, Nickel Project**

   The project lies within an exploration area of 63 overlapping Freischürfe covering an area of 27km². The project covers one of the oldest and most famous mining localities in Austria, the Schwarzelo Valley, where mining was first documented in 1425. Nickel and cobalt were mined in the region from the mid-16th century when Leogang was famed for the diversity of its mineralogy and rich ore. At various times in its past, cobalt, nickel, copper and silver have been mined at Leogang. Mines include the Nöckelberg and Leogang mines.

2. **Gratlspitz Cobalt, Copper, Nickel Project**

   The flagship project lies within an exploration area of 132 overlapping Freischürfe covering an area of 53km². The project lies within the Schwaz-Brixlegg Mining District, a renowned mining region, famous as the type locality of the mercurian fahlore variety 'schwazite'. The region was a significant producer of copper and cobalt. Exploitation of copper deposits dates back to the Late Bronze Age (9th Century BC – Breitenlechner et al., 2013). The first recording of a copper and silver refinery at Brixlegg dates back to 1463. Between 1420 and 1827, it has been estimated that some 190,000 tonnes of copper and 2,600 tonnes of silver were mined in this area. Cobalt occurrences are located at "Silberberg" (2 km south-southeast of Brixlegg), "Geyer", which lies close to Zimmermoos, 2 km - 6 km southeast of Brixlegg, and on the flanks of Gratlsptz Mountain.

3. **Seekar Cobalt, Copper and Nickel Project**

The project lies within an exploration area of 9 overlapping Freischürfe covering an area of approximately 4km². The project covers historic mine sites first established during the 16th century and mined intermittently through to 1923. Mineralisation is associated with hydrothermal vein sulphides and is typically polymetallic, copper, silver, nickel and cobalt. Vein thicknesses of up to 2m have been historically mined.

4. **Zinkwand Cobalt, Copper and Nickel Project**

The project lies within an exploration area of 2 overlapping Freischürfe covering an area of approximately 1km². The project covers the site of historic sulphide mining including both cobalt and nickel. Several historical mining adits are still accessible within the project area.

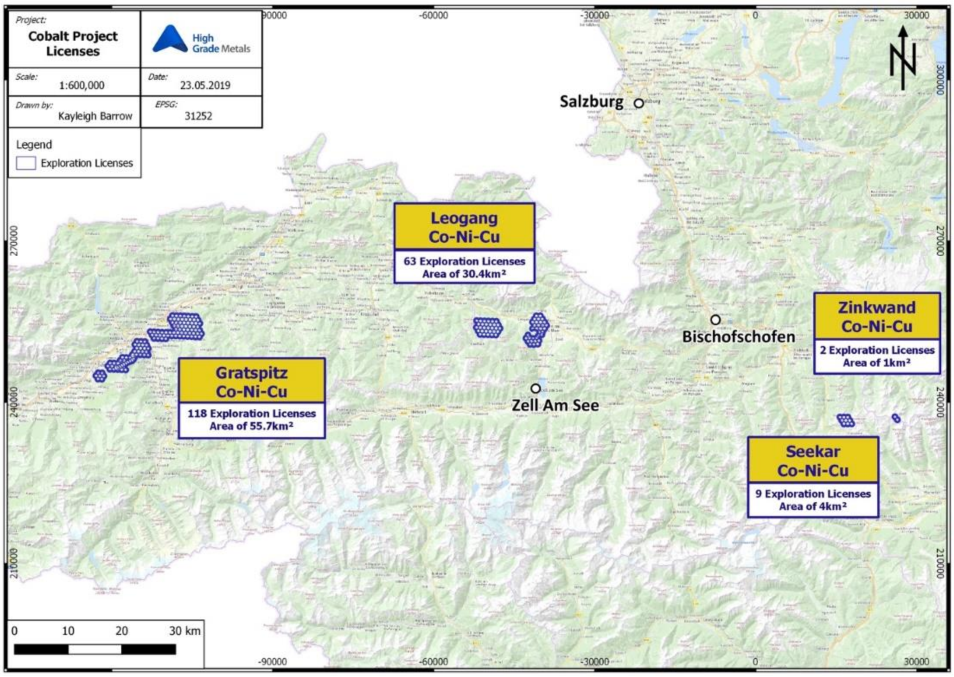

Figure 4 – Location map showing the Company's Cobalt, Copper and Nickel Projects in Austria

Victory Bore Project E57/1036

On 24 April 2019 the Group completed the sale of its non-core Victory Bore vanadium project asset which was recognised as an asset held-for-sale at 31 December 2018, to ASX listed Surefire Resource NL ("SRN") for:

- $500,000 in cash;
- 62,500,000 SRN shares (escrowed for six months);
- $650,000 in cash consideration within 60 days of SRN announcing a PFS for the project with an IR of over 20%; and
- $650,000 in cash or share consideration within 60 days of SRN announcing a decision to mine.

DIRECTORS' REPORT

Corporate

On 11 February 2019, Mr Anthony Hall was appointed Executive Chairman following the resignation of Mr Torey Marshall as Managing Director. At this time, Mr Hayden Locke and Mr Simon Francis also resigned from the Board to reduce director numbers to three.

On 3 April 2019, Mr Bradley Drabsch was appointed as Executive Director.

Annual General Meeting

The Annual General Meeting was held on Wednesday 29 May 2019 with all resolutions approved by shareholders.

RESULTS

The operating result for the half-year ended 30 June 2019 was a loss after income tax of $284,328 (6 months ended 31 December 2018: $331,985)

SUBSEQUENT MATTERS

On 16 July 2019, the Company announced a trading halt pending an announcement with respect to a material acquisition.

On 18 July 2019, the Company announced a voluntary suspension pending an announcement with respect to the material acquisition announced on 16 July 2019.

On 26 July 2019, the Company announced the following with respect to its Austrian Projects:

> *As announced on 29 April 2019, the Company was undertaking a comprehensive review of the Projects with the aim of determining the best approach for future work. The review concluded:*
>
> *1. The Projects remain prospective for gold and cobalt mineralisation with the Leogang Cobalt Project and Kreuzeck Gold Projects considered key to the suite of Projects whilst Schellgaden has been downgraded as a result of poor drilling results; and*
>
> *2. The Board has determined that the best strategy for the advancement of the Projects is to introduce a partner. The current market conditions preclude HGM from raising sufficient funds to advance the Projects effectively.*

The Company is currently working with the ASX to satisfy its requirements with respect to the material acquisition and subsequent release to the market.

AUDITOR INDEPENDENCE

The auditor's independence declaration for the period ending 30 June 2019 has been given and is set out on the following page.

SIGNED in accordance with a resolution of the directors,

Anthony Hall
Executive Chairman

Signed on 30 August 2019

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AUSTRALIA

DECLARATION OF INDEPENDENCE

BY G K EDWARDS

TO THE DIRECTORS OF HIGH GRADE METALS LIMITED

As lead auditor for the review of High Grade Metals Limited for the half-year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

G K Edwards
Director

BDO Audit (SA) Pty Ltd

Adelaide, 2 September 2019

High Grade Metals

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Note	6 months ended 30 Jun 2019 $	6 months ended 31 Dec 2018 $
Other income			
Financial income		4,803	13,376
Sale of Asset		381,443	-
Total other income	**3**	386,246	13,376
Expenses			
Corporate expenses	**4**	(627,452)	(342,742)
Administrative expenses		(59,006)	(33,941)
ASX listing fees and reverse takeover costs		-	-
Total Expenses		(686,458)	(376,683)
Loss before income tax expense	**5**	(300,213)	(363,307)
Income tax expense		-	-
Loss for the period		(300,213)	(363,307)
Item that will not be reclassified subsequently to profit or loss net of tax			
Other comprehensive income			
Foreign exchange on the translation of subsidiaries		15,885	31,322
Total other comprehensive loss, net of tax		15,885	31,322
Total comprehensive loss for the period		(284,328)	(331,985)
Basic and diluted loss per share			
Loss per share (cents per share)	**6**	(0.07)	(0.08)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

High Grade Metals

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	30 Jun 2019	31 Dec 2018
ASSETS		**$**	**$**
Current assets			
Cash and cash equivalents		749,724	1,802,663
Trade and other receivables		66,131	95,374
Other assets		148,292	138,704
Assets held for sale	8	-	155,911
Investment in listed companies		172,500	-
Total current assets		1,136,647	2,192,652
Non-current assets			
Exploration and evaluation expenditure	9	4,500,321	4,108,874
Total non-current assets		4,500,321	4,108,874
TOTAL ASSETS		5,636,968	6,301,526
LIABILITIES			
Current liabilities			
Trade and other payables		146,945	529,865
Total current liabilities		146,945	529,865
TOTAL LIABILITIES		146,945	529,865
NET ASSETS		5,490,023	5,771,661
EQUITY			
Contributed equity	**10**	10,184,747	10,184,747
Reserves	**11**	128,092	109,519
Accumulated losses		(4,822,815)	(4,522,605)
TOTAL EQUITY		5,490,023	5,771,661

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Contributed Equity $	Accumulated Losses $	Other Reserves $	Total Equity/ (Deficiency) $
Balance at 1 July 2018	10,184,747	(4,159,298)	78,197	6,103,646
Loss after income tax expense for the period	-	(363,307)	-	(363,307)
Other comprehensive income for the period, net of tax	-	-	31,322	31,322
Total comprehensive loss for the period	-	(363,307)	31,322	(331,985)
Securities issued during the period	-	-	-	-
Share issue costs	-	-	-	-
Transactions with owners	-	-	-	-
Balance at 31 December 2018	10,184,747	(4,522,605)	109,519	5,771,661
Balance at 1 January 2019	10,184,747	(4,522,605)	109,519	5,771,661
Loss after income tax expense for the period	-	(300,211)	-	(300,211)
Other comprehensive income for the period, net of tax	-		15,885	15,885
Total comprehensive loss for the period	0	(300,211)	15,885	(284,326)
Securities issued during the period	-	-	2,689	2,689
Share issue costs	-	-	-	-
Transactions with owners	-	-	2,689	2,689
Balance at 30 June 2019	10,184,747	(4,884,254)	128,093	5,490,023

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

High Grade Metals

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 6 MONTH ENDED 30 JUNE 2019

	Note	6 months ended 30 Jun 2019 $	6 months ended 31 Dec 2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		4,803	13,376
Payment to suppliers and employees		(495,703)	(464,675)
Net cash used in operating activities		(490,900)	(451,299)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for Exploration assets		(715,061)	(1,368,542)
Sale of Exploration assets		200,000	50,000
Net cash provided by investing activities		(515,061)	(1,318,542)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares and options		-	-
Net cash used by financing activities		-	-
Net decrease in cash held		(1,005,961)	(1,769,841)
Cash and cash equivalents at beginning of financial period		1,802,663	3,569,479
Effect of Exchange rate changes		(46,978)	3,025
Cash and cash equivalents at end of financial period		749,724	1,802,663

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 30 June 2019 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 company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX:HGM).

This interim financial report does not include all notes of the type normally included within the annual financial report, it is intended to provide users with an update on the latest annual financial statements of High Grade Minerals Limited and its controlled entities (referred to as the "Consolidated Group" or "the Group"). It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the six month ended 31 December 2108, together with any public announcements made during the following half-year.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. The Group has not elected to early adopt any other Standards or amendments that are issued but not yet effective. The adoption of all new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

These interim financial statements were authorised for issue on 30 August 2019.

Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the adoption of the following standards:

New and revised standards
A number of new or amended standards became applicable for the current reporting period.

AASB 15 Revenue from Contracts with Customers

AASB 15 provides new guidance for determining when the Group should recognise revenue. The new revenue recognition model is based on the principle that revenue is recognised when control of a good or service is transferred to a customer – either at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, or how much revenue is recognised.

The Group have assessed that there has been no impact on the Group's previously reported financial performance or financial position following the adoption of AASB 15.

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement (AASB 139) for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied AASB 9 retrospectively, with the initial application date of 1 July 2018. There were no material impacts on the comparative balances other than a change in classification. There was no impact on hedging as the Group does not currently apply hedge accounting. The effects of adopting AASB 9 are set out below:

(a) Classification and measurement

Under AASB 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. Under AASB 9, financial assets are either classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income. For debt instruments, the classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. A financial asset can only be measured at amortised cost if both these tests are satisfied. The assessment of the Group's business model was made as of the date of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was made based on the facts and circumstances as at the initial recognition of the assets.

(b) Financial Instruments

The adoption of AASB 9 did not result in a significant change to the recognition or measurement of financial instruments for the Group as presented in the financial report. The following categories of financial asset and liability required no classification or measurement adjustments as a result of adopting AASB 9:

- Cash and cash equivalents;
- Trade and other receivables - this category only includes simple debt instruments where the business model is to collect contractual cash flows and consequently amortised cost has continued to be applied. No lifetime expected credit loss adjustments were considered necessary;
- Derivative financial instruments - subsequent measurement continues to be at fair value through profit or loss;
- Investment in listed companies - subsequent measurement continues to be at fair value through profit or loss; and
- Trade and other payables - subsequent measurement continues to be at amortised cost.

(c) Impairment

The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to recognise an allowance for ECL's for all debt instruments not held at fair value through profit or loss and contract assets in the scope of IFRS 15.

The Group has reviewed and assessed the existing financial assets for impairment and the change to a forward-looking ECL approach did not have any material impact on the amounts recognised in the financial statements. The Group's term deposits which are included within cash and cash equivalents were assessed as having a low probability of default as they are held with financial institutions with high credit ratings and the Group's receivables (not subject to provisional pricing) which are measured at amortised cost, are short term and the Group has strong risk management policies in place to reduce any exposure.

AASB 16 Leases

AASB 16 Leases requires all leases, other than short term and low value asset leases to be accounted "on balance sheet". The entity currently has only one office leases and has assessed that there is no material impact of these leases; as a result AASB 16 is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2020.

The directors have also reviewed all other new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 30 June 2019. As a result of this review the directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies. These accounting policies are consistent with Australian Accounting Standards and with International Reporting Standards

Going concern

As disclosed in the financial statements, the Group recorded an operating loss of $300,312 and a cash outflow from operating activities of $490,900 for the six months ended 30 June 2019 and at balance date, had net current assets of $989,702.

As the Group is in the exploration phase, and recognises no revenue streams, it continues to rely heavily on equity or debt raisings.

The Group's cash flow forecast for the next 12 months indicates that based upon current planned expenditure the Group will have a positive cash position and will not require additional capital raisings during the next 12 months.

NOTE 2: DIVIDENDS

No dividends were paid or proposed during the half year ended 30 June 2019.

NOTE 3: OTHER INCOME

	Note	6 months ended 30 Jun 2019	6 months ended 31 Dec 2018
		$	$
Interest income		4,803	13,376
Sale proceeds in relation to disposal of exploration asset		847,500	-
Cost associated with the disposal of exploration asset		(310,146)	
Carrying value of exploration asset disposed	8	(155,911)	-
Profit on sale of asset		381,443	-
Total other income		386,246	13,376

On 24 April 2019 the Group completed the sale of its non-core Victory Bore vanadium project asset which was recognised as an asset held-for-sale at 31 December 2018, to ASX listed Surefire Resource NL ("SRN") for:

- $500,000 in cash of which $50,000 was received in the period ended 31 December2018;
- 62,500,000 SRN shares (escrowed for six months) valued at $312,500 on 29 April 2019;

Future sale consideration amounting to $1,300,000 will be recognised when the following is achieved:

- $650,000 in cash consideration within 60 days of SRN announcing a PFS for the project with an IR of over 20%; and
- $650,000 in cash consideration within 60 days of SRN announcing a decision to mine.

At 30 June 2019 the market value of the 57,500,000 SRN shares was $0.003 per share, resulting in a loss on financial assets measured at fair value through profit and loss of $115,000.

NOTE 4: EXPENSES

Loss from ordinary activities before income tax expenses has been arrived at after charging the following items:

	Note	6 months ended 30 Jun 2018	6 months ended 31 Dec 2018
Corporate expenses		**$**	**$**
ASX & ASIC		26,070	19,760
Accounting and company secretarial fees		16,257	22,755
Audit fees		24,240	19,577
Consulting fees		514	15,000
Director fees		322,159	162,432
Superannuation expense		11,771	3,365
Legal fees		14,625	56,991
Marketing and travel expenses		88,301	31,997
Share registry fees		8,516	10,865
Loss in financial assets measured at fair value through profit or loss	3	115,000	-
		627,452	342,742

NOTE 5: INCOME TAX

A reconciliation between tax revenue and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:

	6 months ended 30 Jun 2019 $	6 months ended 31 Dec 2018 $
Accounting loss before tax from continuing operations	(300,213)	(363,307)
At the parent entity's statutory income tax rate of 27.5% (2018: 27.5%)	(82,558)	(99,910)
- Non-deductible expenses	-	-
- Deductible equity raising costs	-	-
- Unused tax losses and temporary differences not recognised as deferred tax assets	82,558	99,910
Income tax attributable to entity	-	-

Deferred tax not brought to accounts, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:

	6 months ended 30 Jun 2019 $	6 months ended 31 Dec 2018 $
Losses available for offset against future tax liabilities (at 27.5%)	5,311,598	5,229,040
Deductible temporary differences	(7,670)	13,995
	5,303,928	5,243,035

The Group has based its workings on the current 27.5% tax rate, on the basis that the Group has future taxable profits it is likely that the Group will not be a Small Business Entity (SBE) and therefore the tax rate applicable will be 27.5%.

The Continuity of Ownership Test (COT), or failing that, the Same Business Test, has not been considered to determine whether tax losses can be carried forward as at 30 June 2019. The recovery of the losses is subject to satisfaction of the tax loss recoupment rules.

NOTE 6: EARNINGS PER SHARE

	6 months ended 30 Jun 2019 $	6 months ended 31 Dec 2018 $
Earnings used in the calculation of EPS		
Loss for the period	(300,213)	(363,307)
Weighted average number of ordinary shares used	**Number**	**Number**
as the denominator in calculating basic EPS	452,937,867	452,937,867

The Company's 136,350,000 (2018:100,500,000) options on issue are not considered dilutive and accordingly basic loss per share is the same as diluted loss per share.

NOTE 7: OPERATING SEGMENTS

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on geographical location. The Group's reportable segments under AASB 8 are therefore as follows:

- Australia Vanadium
- Austria Gold
- Austria Cobalt

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, exploration and evaluation expenditure. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables and accrued expenses. Segment assets and liabilities do not include deferred income taxes.

High Grade Metals

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH ENDED 30 JUNE 2019

Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Company at an arm's length. These transfers are eliminated on consolidation. At 30 June 2019 there were no such intersegment transfers.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

30 June 2019	**Australia Vanadium Projects**	**Austria Gold Projects**	**Austria Cobalt Projects**	**Australia Corporate**	**Total**
	$	**$**	**$**	**$**	**$**
Revenue from external sources					
Interest revenue	-	-	-	4,803	**4,803**
Sale of Asset	381,443	-	-	-	**381,443**
Total Group Revenue	381,443	-	-	4,803	**386,246**
Segment loss	(115,000)	-	-	(571,458)	**(686,458)**
Total Group profit/(loss)	266,443	-		(566,655)	**(300,212)**
Segmental current assets	174,190	117,371	45,080	50,283	**386,923**
Segment non-current assets	-	2,406,077	2,094,244	-	**4,500,321**
Segment assets	174,190	2,523,448	2,139,323	50,283	**4,887,244**
Cash and receivables	-	58,435	121,262	570,027	**749,724**
Total Group assets	174,190	2,581,883	2,260,585	620,310	**5,636,968**
Segment liabilities	-	(35,161)	(21,958)	-	**(57,119)**
Corporate trade payables	-	-	-	(89,826)	**(89,826)**
Total Group liabilities	-	(35,161)	(21,958)	(89,826)	**(146,945)**
Total Group equity	174,190	2,546,722	2,238,627	530,485	**5,490,023**

31 December 2018	**Australia Vanadium Projects**	**Austria Gold Projects**	**Austria Cobalt Projects**	**Australia Corporate**	**Total**
	$	**$**	**$**	**$**	**$**
Revenue from external sources					
Interest revenue	-	-	-	13,376	**13,376**
Total Group Revenue	-	-	-	13,376	**13,376**
Segment loss	-	-	-	(376,683)	**(376,683)**
Total Group profit/(loss)	-	-		(363,307)	**(363,307)**
Segmental current assets	155,911	123,683	747,688	32,707	**389,989**
Segment non-current assets	-	2,257,711	1,851,163	-	**4,108,874**
Segment assets	155,911	2,381,394	1,928,851	32,707	**4,498,863**

31 December 2018	Australia Vanadium Projects	Austria Gold Projects	Austria Cobalt Projects	Australia Corporate	Total
	$	$	$	$	$
Cash and receivables	-	23,256	43,005	1,736,402	**1,802,663**
Total Group assets	155,911	2,404,650	1,971,856	1,769,109	**6,301,526**
Segment liabilities	(50,000)	(209,346)	(115,817)	-	**(375,163)**
Corporate trade payables	-	-	-	(154,702)	**(154,702)**
Total Group liabilities	(50,000)	(209,346)	(115,817)	(154,702)	**(529,865)**
Total Group equity	105,911	2,195,304	1,856,039	1,614,407	**5,771,661**

NOTE 8: ASSETS HELD FOR SALE

	Note	30 Jun 2019	31 Dec 2018
Current Assets: exploration assets held for sale		$	$
Balance at beginning of period		155,911	147,868
Exploration and evaluation expenditure incurred			8,043
Asset sold	3	(155,911)	-
Balance at end of period		-	155,911

NOTE 9: EXPLORATION AND EVALUATION EXPENDITURE

	30 Jun 2019	31 Dec 2018
Non-current assets: exploration assets	$	$
Balance at beginning of the period	4,108,874	2,637,518
Foreign exchange gains/(losses)	5,572	33,578
Exploration and evaluation expenditure incurred	385,875	1,437,778
Balance at end of period	4,500,321	4,108,874

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale

NOTE10: ISSUED CAPITAL

	30 Jun 2019 $	31 Dec 2018 $
Issued share capital		
452,937,867 fully paid ordinary shares (2018:452,937,867)	10,184,747	10,184,747
	10,184,747	10,184,747

NOTE 11 RESERVES

	30 Jun 2019 $	31 Dec 2018 $
Option reserve (Note a)	87,862	85,173
Foreign exchange reserve on the conversion of subsidiary undertakings	40,230	24,346
Total	128,092	109,519

a. Share Option Reserve

	30 June 2019 $	31 Dec 2018 $
Opening balance	85,173	85,173
Issue of 5,000,000 options on 21 Mar 2019(1)	1,310	-
Issue of 3500,000 options on 20 May 2019 (2)	1,379	-
Total	87,862	85,173

At 30 June 2019 136,350,000 (31 Dec 2018:100,500,000) options on issue.

(1) On 21 March 2019 5,000,000 options were granted to Elvis Jurcevic, as part of his agreement as Investor Relations Contractor at a fair value of $ 0.003 per option. The Company have calculated the fair value using the Black-Scholes option pricing model. The fair value at 30 June 2019 of the unlisted options granted is $15,524

(2) On 20 May 2019 35,000,000 options were granted to Directors at a fair value of $0.001 per option. The issue of options was approved by shareholder at the Company's Annual General Meeting held on 20 May 2019. The Company have calculated the fair value using the Black-Scholes option pricing model. The fair value at 30 June 2019 of the options granted is $48,603.

The option value in the period were calculated using the Black-Scholes option pricing model applying the following inputs:

Options issued	**5,000,000**	**35,000,000**
Share price on date granted	$0.008	$0.005
Grant date	21 March 2019	20 May 2019
Exercise price	$0.03	$0.03
Expected volatility	100%	100%
Risk-free interest rate	1.53%	1.21%
Annualised time to expiry	3.28	3.09

Annual expense as per Black-Sholes calculations as follows:

	30 June 2019 $	30 June 2020 $	30 June 2021 $	30 June 2022 $	Total $
5,000,000 (21 Mar 2019)	1,310	4,747	4,734	4,734	**15,524**
35,000,000 (20 May 2019)	1,379	15,770	15,727	15,727	**48,603**
Total Year	**2,689**	**20,517**	**20,461**	**20,461**	**64,217**
Cumulative	**2,689**	**23,206**	**43,666**	**64,127**	

NOTE 12: COMMITMENTS

Since the last annual reporting date, there has not been a material change to commitments or contingencies.

NOTE 13: CONTINGENT ASSETS AND LIABILITIES

The Directors are not aware of any matter or circumstance not otherwise dealt with in the report or consolidated financial statements that have significantly affected or may significantly affect, the operations of the consolidated entity.

There are no other contingent assets or contingent liabilities at 30 June 2019

NOTE 14: EVENTS SUBSEQUENT TO REPORTING PERIOD

On 16 July 2019, the Company announced a trading halt pending an announcement with respect to a material acquisition.

On 18 July 2019, the Company announced a voluntary suspension pending an announcement with respect to the material acquisition announced on 16 July 2019.

On 26 July 2019, the Company announced the following with respect to its Austrian Projects:

> *As announced on 29 April 2019, the Company was undertaking a comprehensive review of the Projects with the aim of determining the best approach for future work. The review concluded:*
>
> *1. The Projects remain prospective for gold and cobalt mineralisation with the Leogang Cobalt Project and Kreuzeck Gold Projects considered key to the suite of Projects whilst Schellgaden has been downgraded as a result of poor drilling results; and*
>
> *2. The Board has determined that the best strategy for the advancement of the Projects is to introduce a partner. The current market conditions preclude HGM from raising sufficient funds to advance the Projects effectively.*

The Company is currently working with the ASX to satisfy its requirements with respect to the material acquisition and subsequent release to the market.

Except for the above, no matters or circumstances have arisen since the end of the financial year, that have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS DECLARATION

The directors of the Group declare that:

1. The financial statements and notes
   a. Comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
   b. Give a true and fair view of the economic entity's financial position as at 30 June 2019 of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the group will be able to pay its debts when they become due and payable.

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

Anthony Hall
Chairman

Dated 30 August 2019

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INDEPENDENT ASSURANCE PRACTITIONER'S REVIEW REPORT
TO THE MEMBERS OF HIGH GRADE METALS LIMITED

Report on the Financial Statements

We have reviewed the accompanying financial statements of High Grade Metals Limited, which comprise the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Assurance Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements. We conducted our review in accordance with Standard on Review Engagements ASRE 2400, *Review of a Financial Report Performed by an Assurance Practitioner Who is not the Auditor of the Entity*. ASRE 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ASRE 2400 is a limited assurance engagement. The assurance practitioner performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with Australian Auditing Standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of High Grade Metals Limited as at 30 June 2019, and its financial performance and cash flows for the year then ended, in accordance with the Australian Accounting Standards.

BDO Audit (SA) Pty Ltd

G K Edwards
Director

Adelaide, 2 September 2019