

For personal use only



METALS X LIMITED

ACN 110 150 055

**Interim Financial Report
for the Half-Year
31 December 2019**

CORPORATE DIRECTORY

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

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

Directors

Patrick O'Connor (Executive Chairman)
Brett Lambert (Non-Executive Director)
Anthony Polglase (Non-Executive Director)
Brett Smith (Non-Executive Director)
Xingwang Bao (Non-Executive Director)

Company Secretary

Fiona Van Maanen

Registered Office

Level 5
197 St Georges Terrace
PERTH WA 6000

Phone: +61 8 9220 5700
E-mail: reception@metalsx.com.au
Website: www.metalsx.com.au

Postal Address

PO Box 7248
CLOISTERS SQUARE PO WA 6850

Securities Exchange

Listed on the Australian Securities Exchange

Code: ASX: MLX

Domicile and Country of Incorporation

Australia

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

CONTENTS

APPENDIX 4D - RESULTS FOR ANNOUNCEMENT TO THE ASX	2
DIRECTORS' REPORT	3
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019	12
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019	13
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019	14
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2019	15
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019	16
DIRECTORS' DECLARATION	33
AUDITOR'S INDEPENDENCE DECLARATION	34
INDEPENDENT REVIEW REPORT	35

APPENDIX 4D - RESULTS FOR ANNOUNCEMENT TO THE ASX

This Appendix 4D is to be read in conjunction with the 2019 Annual Financial Report, the December 2019 Interim Financial Report and Directors' Report.

Dividends

The Directors do not propose to pay any dividend for the half-year ended 31 December 2019.

Key Financial Highlights

Consolidated	31 December 2019	31 December 2018	Movement	Movement
	\$	\$	\$	%
Revenue from ordinary activities	108,983,085	92,506,291	16,476,794	18%
(Loss)/profit from ordinary activities after tax attributable to members:	(61,560,539)	(36,147,235)	(25,413,304)	-70%
Net (loss)/profit attributable to members:	(61,560,539)	(36,147,235)	(25,413,304)	-70%
Net tangible assets per share:	0.08	0.26		

Financial performance	31 December 2019	31 December 2018	Movement
	\$	\$	\$
Total sales revenue	108,983,085	92,506,291	16,476,794
Cost of sales	(131,450,536)	(118,118,734)	(13,331,802)
Gross (loss)/profit	(22,467,451)	(25,612,443)	3,144,992
Net (loss)/profit after tax	(61,560,539)	(36,147,235)	(25,413,304)

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

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2019.

DIRECTORS

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

Name	Position	Appointed	Resigned
Patrick O'Connor ²	Executive Chairman	24 October 2019	-
Brett Lambert	Non-Executive Director	24 October 2019	-
Anthony Polglase	Non-Executive Director	24 October 2019	-
Brett Smith	Non-Executive Director	2 December 2019	-
Xingwang Bao	Non-Executive Director	10 January 2020	-
Peter Newton	Non-Executive Chairman	14 December 2012	24 October 2019
Damien Marantelli	Managing Director	3 September 2018	2 December 2019
Simon Heggen ¹	Non-Executive Director	25 October 2012	2 December 2019
Milan Jerkovic	Non-Executive Director	1 May 2017	30 August 2019
Yimin Zhang	Non-Executive Director	9 January 2017	10 January 2020

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.

RESULTS AND REVIEW OF OPERATIONS

RESULTS OF OPERATIONS

- Consolidated total loss after income tax: \$61,560,539 (2018: \$36,147,235);
- Total consolidated revenue of continuing operations: \$108,983,085 (2018: \$92,506,291);
- Total cost of sales of continuing operations: \$131,450,536 (2018: \$118,118,734);
- Cash flows used in operating activities: \$5,328,060 (2018: \$24,066,456);
- Cash flows used in investing activities: \$26,902,889 (2018: \$18,853,266);
- Cash flows from financing activities: \$61,387,514 (2018: \$44,808,597); and
- Material items that have impacted the loss for the half-year include care and maintenance costs of \$10,119,527 (2018: Nil), asset impairments of \$15,363,278 (2018: Nil) and rehabilitation provision adjustment of \$8,360,299 (2018: Nil).

Key results for the half-year are:

Tin Division

- Revenue from the 50% owned Renison Tin Operations was \$38,498,983 (2018: \$36,596,981). The revenue is higher than the previous year as a result of higher tin production, which has been partially offset by a lower tin price.
- The cost of sales was \$35,581,682 (2018: \$43,148,068) The costs were higher in the previous period due to the drawdown of the large low grade ore stockpile developed in prior to the construction of the ore sorter.
- 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 \$8,360,299 (2018: Nil) to \$8,710,299 (2018: \$350,000) (refer to note 9).

RESULTS OF OPERATIONS (continued)

Copper Division

- Revenue from the Nifty Copper Operations was \$70,183,792 (2018: \$55,412,761). The revenue is higher than the previous year as a result of higher copper production and the timing of copper shipments.
- The cost of sales was \$95,849,385 (2018: \$74,867,247). The costs are higher than the previous period due to increased operating costs associated with the increase in mining activity and drawdown of ore and copper concentrate stocks.
- On 26 November 2019 the Company suspended mining operations at the Nifty Copper Operations and subsequently placed the mine into care and maintenance. During the period the Company incurred care and maintenance costs of \$10,119,527 (2018: Nil).
- During the period, a recoverable amounts assessment of the Nifty Copper Operations was conducted which resulted in an impairment loss of \$15,363,278 (2018: nil) (refer to note 18).

Capital Investment Activities

Cash flows used in investing activities totalled \$26,902,889 (2018: \$18,853,266). The current period is higher due to significant increase in mine properties and development expenditure at the Nifty Copper Operation prior to the operation being placed on care and maintenance in November 2019. Capital investments were:

- Tin Operations: \$7,619,406 (2018: \$4,544,734);
- Copper Operations: \$18,714,223 (2018: \$13,591,722);
- Nickel Project: \$778,549 (2018: \$702,501);
- Corporate: \$13,956 (2018: \$28,900); and
- Offset by proceeds from sales of property, plant and equipment and financial assets \$223,245 (2018: \$14,591).

REVIEW OF OPERATIONS

DIVIDENDS

No dividends were paid to members during the half-year (2018: Nil).

Dividend Reinvestment Plan

The Company operates a dividend reinvestment plan (DRP) which allows eligible shareholders to elect to invest dividends in ordinary shares. The DRP is based on a 5% discount to the 5 day volume weighed average price (VWAP) after the record date. During the half-year no shares were issued as part of the DRP (2018: Nil).

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.

REVIEW OF OPERATIONS (continued)

Finance Facility

On 29 August 2019, entered into a facility agreement with Citibank N.A. (Citi) for a \$35,000,000 secured term loan facility (Facility) through the Company's 100%-owned subsidiary Bluestone Mines Tasmania Pty Ltd.

The key terms of the Facility are as follows:

Loan term:	4 years
Repayments:	Quarterly in arrears commencing 31 December 2019 with accelerated prepayment from cash sweep commencing 30 June 2020. Early repayment allowed, without penalty, at any time.
Interest and charges:	Establishment fee of 3.5%. Interest rate is BBSY plus 3.5%, approximate total rate of 4.5%.
Security:	All material assets of the Company and certain subsidiaries excluding the Renison Tin Operations joint venture participating interest and tenements.
Key terms:	Mandatory tin hedging, minimum liquidity and standard debt service ratios.

Commodity Hedging

During the period, in conjunction with the Citi finance 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 contracts for 2,970 tonnes of tin at an average price of \$25,075 per tonne of tin.

Under the Citi finance facility the Consolidated Entity is required to enter into, and maintain, the initial and rolling commodity hedge arrangements in accordance with the hedging programme established under the agreement. The hedging programme relates to forward tin commodity contracts for approximately 50% of the Consolidated Entity's annual tin production.

REVIEW OF OPERATIONS (continued)

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

Renison Tin Mine (50%)

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

The Renison strategy is to continue to extend mine life through ongoing significant exploration success and focus on maximising cash margin through increased mining rate, grade and recovery, and improved productivity while lowering costs.

The key activities at Renison for the period being 1 July 2019 to 31 December 2019 have been:

- Further advancement of the Mining Optimisation Study for the high-grade Area 5 in conjunction with life-of-mine planning targeting an increase in mining rate to 1Mtpa. This includes geotechnical and mine design, ventilation system design, backfill method selection and dewatering system upgrades.
- Continuation of the metallurgical improvement program with the objective of increasing the mill throughput rate and metallurgical recovery; ongoing review and updating of control systems and online analytical infrastructure, and improved training and communication of standard operating parameters.
- Continuation of resource definition drilling and improved mine planning, utilising up to 3 underground drill rigs, producing standout results from Area 5, Bell 50 and Leatherwood area and resulting in:
 - A 20% increase in tin metal contained in total Ore Reserves at Renison Bell underground (refer ASX release of 20 August 2019). The Ore Reserve preserves the Company's commitment to maintain at least a 7-year mine life at Renison.
 - An 8% increase in the Mineral Resource at Renison Bell underground to 18.54Mt at 1.54% Sn for 285,100t of contained tin (net of depletion) (refer to ASX announcement dated 30 January 2020).

Surface exploration activities during the period included the analysis of data and designing of drilling programs to follow up encouraging conductor plate anomalies identified in data from Downhole Electromagnetic (DHEM) surveys completed during the period.

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

		1 July 2019 – 31 December 2019	1 July 2018 – 31 December 2018
Physical Summary	Units		
UG Ore Mined	t	215,325	201,127
UG Grade Mined	% Sn	1.22	1.21
Ore Processed *	t	172,139	186,947
Head Grade *	% Sn	1.46	1.29
Recovery	% Sn	74.08	70.90
Tin Produced	t	1,854	1,707
Tin Sold	t	1,745	1,492
Tin Price	A\$/t	24,566	26,578
Realised Tin Price (net of Tc/Rc charges)	A\$/t	22,067	24,521
Tin Sales Revenue (net of Tc/Rc charges)	A\$	38,498,983	36,596,981

REVIEW OF OPERATIONS (continued)

Cost Summary			
Mining	A\$	13,465,890	12,033,824
Processing	A\$	11,798,001	9,737,488
Administration	A\$	2,456,385	1,970,224
Stockpile Adjustment	A\$	(987,059)	199,101
C1 Cash Cost (produced t) **	A\$	26,733,217	23,940,636
Cost per tonne produced	A\$/t	14,418	14,025
Royalties	A\$	945,772	975,679
Other Marketing Costs	A\$	254,632	209,527
Sustaining Capital	A\$	4,829,248	5,239,701
Reclamation & other adj.	A\$	20,234	8342.53
Corporate Costs	A\$	50,153	31,893
All-in Sustaining Costs ***	A\$	32,833,256	30,405,778
Cost per tonne produced	A\$/t	17,708	17,812
Project Capital	A\$	3,857,408	1,184,077
Exploration Cost	A\$	110,478	3,095
All-in Cost ****	A\$	36,801,142	31,592,951
Cost per tonne produced	A\$/t	19,848	18,508
Reconciliation to cost of sales			
All-in Sustaining Costs	A\$	32,833,256	30,405,778
Sustaining Capital	A\$	(4,829,248)	(5,239,701)
Depreciation and amortisation	A\$	7,656,282	7,531,152
Inventory movements and other adjustments	A\$	(78,608)	10,450,839
Cost of sales	A\$	35,581,682	43,148,068
Cash Flow Summary			
Tin Produced	t	1,854	1,707
Realised Tin Price (net of Tc/Rc charges)	A\$/t	22,067	24,521
C1 Cash Cost (produced t)	A\$/t	14,418	14,025
All-in Sustaining Costs	A\$/t	17,708	17,812
Cash Margin Operations	A\$/t	4,359	6,709
Cash Flow from Operations			
Project Capital	A\$	(3,857,408)	(1,184,077)
Exploration Cost	A\$	(110,478)	(3,095)
Cash Flow from Operations and Investments	A\$	4,114,869	10,264,313

* The difference between the ore mined tonnes and grade and the ore processed tonnes and grade relate to the operation of the ore sorting facility, which rejects waste material at the crushing stage and upgrades the ore prior to the processing stage.

** 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.

REVIEW OF OPERATIONS (continued)

Renison Tailings Retreatment 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).

The Renison Tailings Retreatment Project (Rentails) continued to progress the environmental approvals process. A further extension was granted for lodgement of the Development Proposal and Environmental Management Plan with the Tasmanian Environment Protection Authority to April 2020 to allow the joint venture partners to further assess the preferred technology options for tin fuming.

Mt Bischoff Project

The Mt Bischoff Project is located approximately 80km north of the Renison mine. Mt Bischoff was a significant historical tin operation, producing some 60,000 tonnes of tin metal since the late 1800's. 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 \$8,710,299 (2018: \$350,000). The majority of the Consolidated Entity's 50% share of the rehabilitation expenditure will be incurred in the first six years (\$8,094,699) with the remaining incurred over the ensuing eight years during the monitoring phase (\$615,600).

COPPER DIVISION

The Copper Division holds three key assets:

1. Nifty Copper Operations;
2. Maroochydore Copper Project; and
3. Exploration portfolio comprising substantial exploration tenure in the highly prospective Paterson Province.

Nifty Copper Operations

The Nifty Copper Operations (Nifty) comprise an underground copper sulphide Mineral Resource of 36 million tonnes at a grade of 1.50% Cu for contained copper of 546,000 tonnes (refer to ASX announcement dated 28 August 2019), 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 at Nifty (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.

Ongoing C&M at Nifty will be conducted with approximately 14 full time staff. During the C&M period the mine is being kept dry and ventilated, and all infrastructure including the power station, processing plant and camp are being maintained in a status ready for recommencement of operations.

A specific safety management plan is in place to ensure the continued safety and wellbeing of the C&M team at Nifty.

REVIEW OF OPERATIONS (continued)

The Company is continuing to process available drilling data to upgrade the resource base which will support further studies to investigate opportunities for a revised operational strategy.

Subsequent to the end of the period, on 22 January 2020, the Company announced the appointment of Canaccord Genuity (Australia) Limited (Canaccord) and Hartleys Limited (Hartleys) as Joint Advisors to a strategic review of all the Company's copper assets including Nifty (underground mine, processing, power and camp infrastructure), the Maroochydore Copper Project and the Company's substantial surrounding Paterson exploration tenure (Copper Assets).

The Joint Advisors will, in conjunction with the Board, explore various options for the Copper Assets including joint ventures and the partial or complete divestment of some or all of the copper assets.

The Company sees significant value in the existing resource at Nifty, production-ready infrastructure, the substantial leverage to an improving outlook for copper, and significant exploration potential through its large Paterson Province regional landholding.

The strategic review will not necessarily result in a transaction.

Performance of the Copper Division is summarised below:

		1 July 2019 – 31 December 2019	1 July 2018 – 31 December 2018
Physical Summary	Units		
UG Ore Mined	t	409,653	764,096
UG Grade Mined	% Cu	1.30	1.38
Ore Processed	t	476,007	762,610
Head Grade	% Cu	1.33	1.41
Recovery	% Cu	91.79	91.70
Copper Produced	t	6,023	9,855
Copper Sold	t	9,095	7,311
Copper Price	A\$/t	8,511	8,497
Realised Copper Price (net of Tc/Rc charges)	A\$/t	7,677	7,579
Copper Sales Revenue (net of Tc/Rc charges)	A\$	70,183,792	55,412,761
Cost Summary			
Mining	A\$	36,118,459	42,681,606
Processing	A\$	12,993,649	22,152,878
Admin	A\$	7,555,649	8,718,137
Stockpile Adjustment	A\$	3,345,307	(150,531)
C1 Cash Cost (produced t) *	A\$	60,013,064	73,402,090
Cost per tonne produced	A\$/t	9,965	7,448
Royalties	A\$	2,307,485	3,747,638
Other Marketing Costs	A\$	2,315,584	4,137,075
Sustaining Capital	A\$	5,617,462	15,755,293
Reclamation & other adj.	A\$	(18,731)	30,523
Corporate Costs	A\$	465,958	477,090
All-in Sustaining Costs **	A\$	70,700,822	97,549,709
Cost per tonne produced	A\$/t	11,739	9,898
Project Capital	A\$	12,853,393	-
Exploration Cost	A\$	1,090,222	2,707,522
Care and maintenance costs	A\$	10,119,527	-
All-in Cost ***	A\$	94,763,964	100,257,231
Cost per tonne produced	A\$/t	15,735	10,173

REVIEW OF OPERATIONS (continued)

<i>Reconciliation to cost of sales</i>			
All-in Sustaining Costs	A\$	70,700,822	97,549,709
Sustaining Capital	A\$	(5,617,462)	(15,755,293)
Depreciation and amortisation	A\$	6,641,246	7,069,358
Inventory movements and other adjustments	A\$	24,124,779	(13,996,527)
Cost of sales	A\$	95,849,385	74,867,247

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

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

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

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

Maroochydore Copper Project

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

Drilling was undertaken at Maroochydore targets during the period including at Maroochydore East targeting extensions to the Maroochydore deposit and at the Maroochydore Camp prospect targeting the Maroochydore Carbonate unit to the west of the main Maroochydore deposit. Drilling results are encouraging (refer to the December 2019 Quarterly Report), with the area considered a priority having had minimal effectual drilling in the past.

Exploration Portfolio

Through its various subsidiaries, Metals X holds approximately 2,950km² 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 with advanced prospects defined.

During the period the Company conducted drilling programs across various defined targets including Brookes and Coolbro near Nifty, the Noosa and Spitfire targets near Maroochydore, at Maroochydore East and at the Juniper target.

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 2.0Mt 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. Given the current lower nickel and cobalt prices environment, development of the project is not imminent, but it remains poised and ready for the next nickel price upturn.

During the period the Company undertook a further program of infill drilling, targeting 2 high grade cobalt-nickel pit shells delineated within the existing Mineral Resource. This followed successful drilling programs in 2017-18 on an initial 6 of 15 high grade cobalt-nickel pit shells. The objective is to continue to in-fill drill the remaining 7 pit shells to confirm depth and strike continuity and to then undertake a re-optimisation of the high grade pits.

For personal use only

The first phase of resource definition drilling of part of the Company's significant calcrete areas, located 30 kilometres north of Wingellina, commenced in late 2019. In addition, targeted exploratory water bore drilling in a single reconnaissance hole was undertaken within the Mann Fault palaeovalley, located about 15 kilometres northwest of Wingellina, with results confirming the nearby Mann Fault palaeovalley as a potential viable source of relatively good quality water for the start-up of future development and site works requirements.

End of Directors' Report

AUDITOR'S INDEPENDENCE

The auditor's independence declaration is included on page 34 of this report.

Signed in accordance with a resolution of the Directors.



Patrick O'Connor
Executive Chairman

20 February 2020

For personal use only

Consolidated Statement of Comprehensive Income for the Half-Year ended 31 December 2019

	Notes	31 December 2019	31 December 2018
Continuing operations			
Revenue	3	108,983,085	92,506,291
Cost of sales		<u>(131,450,536)</u>	<u>(118,118,734)</u>
Gross loss		(22,467,451)	(25,612,443)
Other income		12,060	14,362
General and administrative expenses		(4,273,448)	(3,852,011)
Commodity and foreign exchange trading gains		514,870	1,004,386
Fair value loss on provisionally priced trade receivables		(238,841)	(4,760,602)
Finance costs		(1,036,437)	(724,859)
Share-based payments	16	(162,241)	(380,523)
Fair value change in financial assets		(65,710)	(1,824,236)
Care and maintenance costs		(10,119,527)	-
Rehabilitation provision	9	(8,360,299)	-
Impairment loss on assets	6, 7	(15,363,278)	-
Exploration and evaluation expenditure written off	8	<u>(237)</u>	<u>(11,309)</u>
Loss before income tax from continuing operations		(61,560,539)	(36,147,235)
Income tax benefit		-	-
Loss for the period from continuing operations		<u>(61,560,539)</u>	<u>(36,147,235)</u>
Other comprehensive income for the period, net of tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Changes in the fair value of available-for-sale financial assets, net of tax		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		<u>(61,560,539)</u>	<u>(36,147,235)</u>
Loss attributable to:			
Members of the parent		<u>(61,560,539)</u>	<u>(36,147,235)</u>
Total comprehensive loss attributable to:			
Members of the parent		<u>(61,560,539)</u>	<u>(36,147,235)</u>
Loss per share for the profit attributable to the ordinary equity holders of the parent (cents per)			
Basic loss per share		(7.72)	(5.37)
Diluted loss per share		(7.72)	(5.37)

Consolidated Statement of Financial Position as at 31 December 2019

		As at 31 December 2019	As at 30 June 2019
	Notes		
CURRENT ASSETS			
Cash and cash equivalents	11	40,520,964	11,364,399
Trade and other receivables	4	16,515,493	16,545,008
Inventories	5	20,360,545	45,858,778
Prepayments		1,069,550	2,455,368
Total current assets		78,466,552	76,223,553
NON-CURRENT ASSETS			
Other financial assets		10,771,569	10,771,569
Property, plant and equipment	6	44,109,183	46,465,692
Mine properties and development costs	7	40,863,388	42,547,133
Exploration and evaluation expenditure	8	12,895,629	10,178,774
Financial assets at fair value through profit and loss		66,963	288,436
Derivative financial instruments	14	2,284,336	-
Total non-current assets		110,991,068	110,251,604
TOTAL ASSETS		189,457,620	186,475,157
CURRENT LIABILITIES			
Trade and other payables		24,031,818	25,441,824
Interest bearing liabilities	10	12,880,349	5,043,404
Provisions		4,216,098	7,817,701
Total current liabilities		41,128,265	38,302,929
NON-CURRENT LIABILITIES			
Interest bearing liabilities	10	26,713,926	4,310,335
Provisions	9	51,019,499	42,268,613
Total non-current liabilities		77,733,425	46,578,948
TOTAL LIABILITIES		118,861,690	84,881,877
NET ASSETS		70,595,930	101,593,280
EQUITY			
Issued capital	13	332,405,497	302,004,549
Accumulated losses		(290,016,077)	(228,455,538)
Share based payments reserve		28,206,510	28,044,269
TOTAL EQUITY		70,595,930	101,593,280

Consolidated Statement of Cash Flows for the Half-Year ended 31 December 2019

	31 December 2019	31 December 2018
Cash flows from operating activities		
Receipts from customers	104,859,326	87,272,886
Payments to suppliers and employees	(109,737,390)	(111,590,034)
Interest received	300,310	497,108
Other receipts	12,060	(229)
Interest paid	(762,366)	(246,187)
Net cash flows from operating activities	(5,328,060)	(24,066,456)
Cash flows from investing activities		
Payments for plant and equipment	(8,802,032)	(7,166,234)
Payments for mine properties and development	(15,607,010)	(7,937,825)
Payments for exploration and evaluation	(2,717,092)	(3,763,798)
Proceeds from sale of financial assets	155,763	-
Proceeds from sale of property plant and equipment	67,482	14,591
Net cash flows used in investing activities	(26,902,889)	(18,853,266)
Cash flows from financing activities		
Proceeds from share issues	32,730,838	50,000,000
Payments for share issue costs	(2,329,890)	(2,582,195)
Payments for dividends	(57,659)	(63,422)
Proceeds from borrowings	35,000,000	-
Borrowing costs	(64,108)	-
Repayment of borrowings	(3,891,667)	(2,545,786)
Net cash flows from/(used in) financing activities	61,387,514	44,808,597
Net increase in cash and cash equivalents	29,156,565	1,888,875
Cash at the beginning of the financial period	11,364,399	31,234,845
Cash and cash equivalents at the end of the period	40,520,964	33,123,720

Consolidated Statement of Changes in Equity for the Half-Year ended 31 December 2019

	Issued capital \$	Accumulated losses \$	Share based payments reserve \$	Available-for- sale reserve \$	Total Equity \$
At 30 June 2019	302,004,549	(228,455,538)	28,044,269	-	101,593,280
Loss for the period	-	(61,560,539)	-	-	(61,560,539)
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income and expense for the half-year, net of tax	-	(61,560,539)	-	-	(61,560,539)
Transactions with owners in their capacity as owners					
Issue of share capital	32,730,838	-	-	-	32,730,838
Share issue costs	(2,329,890)	-	-	-	(2,329,890)
Share-based payments	-	-	162,241	-	162,241
At 31 December 2019	332,405,497	(290,016,077)	28,206,510	-	70,595,930

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

Notes to the Financial Statements for the Half-Year ended 31 December 2019

1. CORPORATE INFORMATION

The financial report of Metals X for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 20 February 2020.

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

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

2. SUMMARY OF ACCOUNTING POLICIES

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

This general purpose condensed consolidated financial report for the half-year ended 31 December 2019 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

It is recommended that the half-year financial report be read in conjunction with the annual report of Metals X for the year ended 30 June 2019 and considered together with any public announcements made by Metals X and its controlled entities during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations of the ASX listing rules.

(b) Basis of consolidation

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

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

All intercompany balances and transactions have been eliminated in full.

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

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

(c) Going concern basis of preparation

The Nifty Copper Operations were suspended and placed into care and maintenance during the period. The Consolidated Entity incurred a net loss after income tax of \$61,560,539 for the half-year ended 31 December 2019 (2018: \$36,147,235) which includes an impairment loss on assets of \$15,363,278 (2018: \$11,309) and a net operating and investing cash outflow of \$32,230,949 (2018: \$42,919,722). As at 31 December 2019 the Consolidated Entity had cash and cash equivalents of \$40,520,964 (30 June 2019: \$11,364,399) and a net current asset surplus of \$37,338,287 (30 June 2019: \$37,920,624 surplus). Under the Citi finance facility in addition to scheduled quarterly repayments the facility requires the Consolidated Entity to undertake mandatory prepayments commencing on 30 June 2020 (refer to note 10).

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (continued)

(c) Going concern basis of preparation (continued)

The Consolidated Entity will require further funding in future years to progress its projects. 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 in the future 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.

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 may be required in the current financial year to provide funding for the Consolidated Entity's activities and to meet the Consolidated Entity's 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 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.

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (continued)

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

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.

Impact on financial statements

On transition to AASB 16, the Consolidated Entity recognised an additional \$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 applied is 5.2%.

Operating lease commitment at 30 June 2019 as disclosed in the Consolidated Entity's financial statements	832,191
Discounted using the incremental borrowing rate	(42,819)
Recognition exemption for short term leases	(13,601)
Finance lease liabilities recognised as at 30 June 2019	9,353,739
Lease liabilities recognised at 1 July 2019	10,129,510

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 lease as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (continued)

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

Leases as a lessor

When the Consolidated Entity acts as a lessor, it determines at lease commencement date whether each lease is a finance lease or an operating lease.

To classify each lease, the Consolidated Entity makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership identical to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As a part of this assessment, the Consolidated Entity considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Consolidated Entity is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Consolidated Entity applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Consolidated Entity applies AASB 15 to allocate the consideration to the contract.

The Company has determined that leases as a lessor will not have a material impact on the financial position or performance of the Consolidated Entity.

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 will not have an impact on the consolidated financial statements of the Consolidated Entity.

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (continued)

3. REVENUE

	31 December 2019	31 December 2018
Tin concentrate sales	38,498,983	36,596,981
Copper concentrate sales (a)	70,183,792	55,412,761
Revenue from contracts with customers	108,682,775	92,009,742
Interest received	300,310	496,549
Total revenue	108,983,085	92,506,291

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

4. TRADE AND OTHER RECEIVABLES

	31 December 2019	30 June 2019
Trade receivables at fair value (a)	10,026,624	8,211,481
Other debtors and cash call advances at amortised cost (b)	6,488,869	8,333,527
	16,515,493	16,545,008

(a) As at 31 December 2019, tin concentrate sales totalling 256 tonnes remained open to price adjustment (2018: 223).

Total copper concentrate sales for the period was 9,095 tonnes (2018: 7,311), out of which 4,901 tonnes (2018: 4,417) of copper, provisionally sold at the reporting date, has been revalued at an estimated forward price of US\$6,156 (2018: US\$5,965). The fair value loss on provisionally priced trade receivables of \$238,841 (2018: \$4,760,602) for the period has been included as income in the statement of comprehensive income.

Trade receivables (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 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.

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

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (continued)

5. INVENTORIES

During the half-year ended 31 December 2019 there was a net inventory write-down of \$1,518,565 (2018: \$10,019,118) for the Consolidated Entity. This amount is included in the cost of sales line in the statement of comprehensive income. Inventory write-downs relate to inventories being valued at net realisable value which is lower than cost.

During the period, a recoverable amounts assessment of the Nifty Copper Operations stores and spares was conducted which resulted in an impairment loss of \$1,662,871 (2018: nil) (refer to note 18).

6. PROPERTY, PLANT AND EQUIPMENT

During the half-year ended 31 December 2019 the Consolidated Entity paid \$8,802,032 (2018: \$7,166,234) in relation to property, plant and equipment acquisitions. During the period, a recoverable amounts assessment of the Nifty Copper Operations property, plant and equipment was conducted which resulted in an impairment loss of \$3,673,932 (2018: nil) (refer to note 18).

7. MINE PROPERTIES AND DEVELOPMENT

During the half-year ended 31 December 2019 the Consolidated Entity paid \$15,607,010 (2018: \$7,937,825) in relation to mine properties and developments costs. During the period, a recoverable amounts assessment of the Nifty Copper Operations mine, properties and development was conducted which resulted in an impairment loss of \$10,026,475 (2018: nil) (refer to note 18).

8. EXPLORATION AND EVALUATION EXPENDITURE

During the half-year ended 31 December 2019 the Consolidated Entity paid \$2,717,092 (2018: \$3,763,798) in relation to exploration and evaluation expenditure.

During the period, a review was undertaken for each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. In assessing the carrying value of all of the Consolidated Entity's projects certain expenditure on exploration and evaluation of mineral resources has not led to the discovery of commercially viable quantities of mineral resources. In relation to these areas the carrying value was written down to nil and an impairment loss of \$237 (2018: \$11,309) was recognised in profit or loss.

9. NON-CURRENT PROVISIONS

	31 December 2019	30 June 2019
Provision for long service leave (a)	707,290	1,317,066
Provision for rehabilitation (b)	50,312,209	40,951,547
	51,019,499	42,270,632

(a) Provision for 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.

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (continued)

9. NON-CURRENT PROVISIONS (continued)

(b) Provision for Rehabilitation

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.

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 \$8,360,299 (2018: Nil). Due to the suspension of operations at the Nifty Copper Operations a review of the expected timing of the environmental obligations was conducted which resulted in the increase in the provision for rehabilitation of \$736,282 (2018: \$21,337).

10. INTEREST BEARING LOANS AND BORROWINGS

	31 Dec 2019	30 Jun 2019
Current		
(a) Lease liability	4,474,462	5,043,404
(b) Citi finance facility	8,405,888	-
	12,880,350	5,043,404
Non-current		
(a) Lease liability	1,432,914	4,310,335
(b) Citi finance facility	25,281,012	-
	26,713,926	4,310,335

(a) Finance leases and hire purchase contracts

The Consolidated Entity has finance leases and hire purchase contracts for various items of plant and machinery. The leases do have terms of renewal but no escalation clauses. Renewals are at the option of the specific entity that holds the lease. The finance and hire purchase contracts have an average term of 36 months with the right to purchase the asset at the completion of the lease term for a pre-agreed amount. The finance facility utilised and available at reporting date is \$5,907,450 (2018: \$9,353,739).

(b) Citi finance facility

The Consolidated Entity has a facility agreement with Citibank N.A. (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 utilised at reporting date is \$35,000,000 (2018: nil). The finance facility available at reporting date is \$34,000,000 (2018: nil).

The facility is repayable quarterly in arrears in accordance with a repayment instalment schedule over the four year term, with \$1,000,000 repayable in March 2020 and \$2,538,462 repayable each calendar quarter thereafter. The facility incorporates a repayment acceleration via mandatory prepayments.

The facility requires mandatory prepayments commencing on 30 June 2020. If the principal outstanding exceeds \$20,000,000, the Company must repay an amount equal to 50% of the free cash flow from the Renison Tin Operations after payment of tin division, nickel division and corporate costs for the calendar quarter, less any scheduled repayments of principal or interest payable on that repayment date, as a prepayment of the facility. Where the principal outstanding is less than or equal to \$20,000,000 and the forward debt service cover ratio is less than 1.4 times, the Company must repay an amount equal to 33% of the free cash flow from the Renison Tin Operations after payment of tin division, nickel division and corporate costs for the calendar quarter, less any scheduled repayments of principal or interest payable on that repayment date, as a prepayment of the facility.

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (continued)

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes a cash reserve account held with Citibank N.A. as a covenant of the Citi finance facility of \$7,850,000 (2018: Nil). Under the facility the balance of the reserve account is to be equal to 110% of the monthly forecast costs of the Bluestone Mines Tasmania Joint Venture (Tasmanian Tin Costs) at all times during the course of the loan.

The funds in the account maybe used by Citi to pay any Tasmanian Tin Costs that the Consolidated Entity has failed to pay by the due date. The Consolidated Entity may make withdrawals or transfers from the reserve account where the amount in the reserve account exceeds 110% of the forecast Tasmanian Tin Costs. Where the amount in the reserve account is below 110% of the forecast Tasmanian Tin Costs the Consolidated Entity is required to ensure the amount is topped up with 10 business days.

12. COMMITMENTS AND CONTINGENCIES

Commitments

At 31 December 2019, the Consolidated Entity had the following commitments:

- capital expenditure commitments of \$3,876,198 principally relating to plant and equipment upgrades and replacements at the Renison Tin Operations (30 June 2019: \$1,399,708); and
- tenement lease expenditure commitments of \$11,739,555 relating to tenements on which mining and exploration operations are located (30 June 2019: \$11,644,777).

Contingencies

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

13. ISSUED CAPITAL

	31 December 2019	30 June 2019
ISSUED CAPITAL		
<i>Ordinary shares</i>		
Issued and fully paid	332,405,497	302,004,549
	Number of shares on issue	\$
<i>Movements in ordinary shares on issue</i>		
At 1 July 2019	689,060,508	302,004,549
Issue share capital	218,205,559	32,730,838
Share issue costs	-	(2,329,890)
At 31 December 2019	907,266,067	332,405,497
At 1 July 2018	612,137,432	302,004,550
Issue share capital	76,923,076	50,000,000
Share issue costs	-	(2,582,195)
At 31 December 2018	689,060,508	349,422,355

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (continued)

14. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Fair Value hierarchy

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

	31 December 2019			Total
	Quoted market price (Level 1)	Valuation technique market observable inputs (Level 2)	Valuation technique non market observable inputs (Level 3)	
Financial Assets				
Trade receivables				
Tin sales ¹	-	3,427,711	-	3,427,711
Copper sales ¹	-	6,598,913	-	6,598,913
Equity investments				
Listed investments ²	66,813	-	-	66,813
Derivatives				
Unlisted investments ³	-	150	-	150
Derivatives				
Forward commodity swaps ⁴	-	2,284,336	-	2,284,336
	<u>66,813</u>	<u>12,311,110</u>	<u>-</u>	<u>12,377,923</u>
	30 June 2019			
	Quoted market price (Level 1)	Valuation technique market observable inputs (Level 2)	Valuation technique non market observable inputs (Level 3)	Total
Financial Assets				
Trade receivables				
Tin sales ¹	-	-	-	-
Copper sales ¹	-	8,211,481	-	8,211,481
Equity investments				
Listed investments ²	243,586	-	-	243,586
Derivatives				
Listed investments ²	37,500	-	-	37,500
Unlisted investments ³	-	7,350	-	7,350
	<u>281,086</u>	<u>8,218,831</u>	<u>-</u>	<u>8,499,917</u>

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (continued)

14 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

- The fair value of trade receivables relates to tin and copper concentrate provisionally sold at the reporting date. The fair value is based on the applicable KLM or LME forward prices.
- 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 unlisted investment relates to 1,500,000 unlisted options in Brainchip Holdings Limited. The fair value is determined using a Black & Scholes model, which takes account of factors including the option exercise price, the volatility of the underlying share price, the risk free rate, the market price of the underlying share at grant date and the expected life of the option. Below are the inputs used to value the unlisted options:

	31 December 2019	30 June 2019
Expected Volatility (%)	93%	93%
Risk-free interest rate (%)	0.90%	1.04%
Expected life of options (yrs)	0.42	0.92
Options exercise price (\$)	\$0.23	\$0.23
Share price (\$)	\$0.010	\$0.072

- The forward commodity swaps relate to hedges of 2,970 tonnes of tin at an average price of \$25,075 per tonne of tin. The fair value is based on the applicable LME forward prices.

Transfer between categories

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

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

15. RELATED PARTY TRANSACTIONS

The following table provides the total amount of transactions that have been entered into with related parties during the six months ended 31 December 2019 and 31 December 2018 as well as the balances with related parties as at 31 December 2019 and 30 June 2019:

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Jointly controlled operations				
Bluestone Mines Tasmania Joint Venture Pty Ltd				
2019	487,563	-	62,840	-
2018	126,606	-	25,309	-
Key management personnel of the Consolidated Entity				
M Jerkovic is a director of Xavier Group Pty Ltd				
2019	-	30,000	-	-
2018	-	90,000	-	20,000

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (continued)

16. SHARE BASED PAYMENTS

During the half-year ended 31 December 2019 the Consolidated entity recognised \$162,241 for share based payments (2018: \$380,523) in the profit and loss.

2018 Grants

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

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

Tranche 1: 50% of Options:

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

Tranche 2: 50% of Options:

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

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

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

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

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (continued)

16. SHARE BASED PAYMENTS (continued)

2019 Grants

On 1 July 2019, 14,003,014 options were granted to employees under the ESOP. On 24 October 2019, 1,923,404 options were granted to a Director under the ESOP as approved by shareholders at the Company's Annual General Meeting held on 24 October 2019.

The options will vest and become exercisable subject to the following service and performance conditions being met.

- i. The service condition requires continuous employment for a three (3) year period from 1 July 2019 to 30 June 2022.
- ii. The performance conditions comprise the following:
 - a) Relative Total Shareholder Returns (50%); and
 - b) Return on Capital Employed (50%).
- iii. The Measurement Date is 1 July 2022.

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

	Employees	
Details	Relative Total Shareholder Return	Return on Capital Employed
Grant date	1 July 2019	1 July 2019
Valuation date	1 July 2019	1 July 2019
Measurement date	30 June 2022	30 June 2022
Expected volatility (%)	65%	65%
Risk-free interest rate (%)	0.70%	0.70%
Expected life of options (yrs)	3.0	3.0
Options exercise price (\$)	\$0.00	\$0.00
Share price at grant date (\$)	\$0.15	\$0.15
Fair value at grant date (\$)	\$0.09	\$0.06

	Director	
Details	Relative Total Shareholder Return	Return on Capital Employed
Grant date	24 October 2019	24 October 2019
Valuation date	1 July 2019	1 July 2019
Measurement date	30 June 2022	30 June 2022
Expected volatility (%)	65%	65%
Risk-free interest rate (%)	0.70%	0.70%
Expected life of options (yrs)	3.0	3.0
Options exercise price (\$)	\$0.00	\$0.00
Share price at grant date (\$)	\$0.15	\$0.15
Fair value at grant date (\$)	\$0.09	\$0.06

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (continued)

16. SHARE BASED PAYMENTS (continued)

Relative Total Shareholder Return Performance Condition

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

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

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

Return on Capital Employed Performance Condition

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

The vesting schedule for the ROCE measure is as follows:

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

Notes to the Consolidated Financial Statements for the Half-Year ended 31 December 2019 (continued)

17. OPERATING SEGMENTS

The following table presents revenue and profit information regarding the Consolidated Entity's operating segments for the half-years ended 31 December 2019 and 31 December 2018.

Half-year ended 31 December 2019	Renison Tin Project	Mt Bischoff Tin Project	Nifty Copper Project	Maroochydore Copper Project	Wingellina Nickel Project	Adjustments and eliminations	Total
Revenue							
External customers	38,498,983	-	70,183,792	-	-	-	108,682,775
Total revenue	38,498,983	-	70,183,792	-	-	-	108,682,775
Results							
Segment profit/(loss)	2,917,063	(8,360,299)	(51,387,238)	(72)	(19,397)	-	(56,849,943)
Half-year ended 31 December 2018	Renison Tin Project	Mt Bischoff Tin Project	Nifty Copper Project	Maroochydore Copper Project	Wingellina Nickel Project	Adjustments and eliminations	Total
Revenue							
External customers	36,596,981	-	55,412,761	-	-	-	92,009,742
Total revenue	36,596,981	-	55,412,761	-	-	-	92,009,742
Results							
Segment profit/(loss)	(6,551,088)	-	(24,289,388)	(11,243)	(29,184)	-	(30,880,903)
Segment assets							
As at 31 December 2019	87,538,869	-	42,072,639	6,711,666	3,153,085	-	139,476,259
As at 30 June 2019	84,749,512	-	67,326,294	5,929,277	2,357,095	-	160,362,178
Segment liabilities							
As at 31 December 2019	(47,258,866)	(8,710,299)	(61,104,079)	-	(204,294)	-	(117,277,538)
As at 30 June 2019	(13,768,071)	(350,000)	(68,682,599)	-	(69,240)	-	(82,869,910)

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

17. OPERATING SEGMENTS (continued)

Reconciliation of segment results to consolidated results

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

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

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

During the period, 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.

Reconciliation of Revenue	31 December 2019	31 December 2018
Segment revenue	108,682,775	92,009,742
Interest revenue	300,310	496,549
Group revenue	108,983,085	92,506,291

Reconciliation of Profit		
Segment (loss)/profit	(56,849,943)	(30,880,903)
Corporate administration expenses	(4,273,448)	(3,852,011)
Corporate interest income	300,310	496,549
Other income	12,060	14,362
Finance costs	(1,036,437)	(724,859)
Commodity trading gain	514,870	1,004,386
Impairment loss on available-for-sale financial assets	(65,710)	(1,824,236)
Share-based payments	(162,241)	(380,523)
Total consolidated loss before income tax from continuing operations	(61,560,539)	(36,147,235)

Reconciliation of Assets	31 December 2019	30 June 2019
Segment operating assets	139,476,259	160,362,178
<i>Unallocated corporate assets</i>		
Cash and cash equivalents	37,836,406	11,183,420
Trade and other receivables	74,421	3,011,559
Prepayments	348,998	141,224
Other financial assets	10,771,569	10,771,569
Financial assets at fair value through profit and loss	66,813	44,850
Derivative financial instruments	150	243,585
Property, plant and equipment	883,004	716,772
Group operating assets	189,457,620	186,475,157

Reconciliation of Liabilities		
Segment operating liabilities	117,277,538	82,869,910
<i>Unallocated corporate liabilities</i>		
Trade and other payables	802,944	1,277,901
Provision for employee benefits	488,169	650,168
Interest bearing loans and borrowings	293,039	83,898
Group operating liabilities	118,861,690	84,881,877

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

18. IMPAIRMENT OF ASSETS

The Consolidated Entity assessed each asset or cash generating unit (CGU) for the half-year ended 31 December 2019 to determine whether any indication of impairment existed. Where an indicator of impairment existed, a formal estimate of the recoverable amount was made. In assessing whether an impairment is required for the carrying value of an asset, its carrying value is compared 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).

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 potential impairment of the Nifty CGU. The Consolidated Entity used FVLCD to determine the recoverable amount for the Nifty CGU based on the following methodology and assumptions:

Methodology

For the half-year ended 31 December 2019 the Consolidated Entity has impaired the assets of the Nifty CGU based on the fair values determined by independent experts using comparable transactions less expected costs of disposal. The Consolidated Entity considers using the independent expert valuation reports prepared at 30 June 2019 to determine the FVLCD to be the most appropriate valuation method for financial statement reporting purposes.

Impairment Losses

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

Details	Carrying Value prior to impairment \$	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	-
Total	47,788,647	15,363,278	32,425,369

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 (km²) derived from comparable transactions. The range of the implied value of comparable transactions is between \$60/km² and \$9,596/km², with a mean of \$2,612/km². The Consolidated Entity has applied an average economic obsolescence deduction of 73% to the inventory of stores and spares and property, plant and equipment.

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

19. EVENTS AFTER THE BALANCE DATE

Copper Asset Strategic Review

On 22 January 2020 the Company announced the appointment of Canaccord Genuity (Australia) Limited and Hartleys Limited as Joint Advisors in respect to the Company's strategic review of its Copper Assets which includes the Nifty Copper Mine (and associated underground mine, processing, power and camp infrastructure), the Maroochydore Copper Project and the surrounding Paterson exploration tenure.

The Joint Advisors will, in conjunction with the Board, explore various options for the Copper Assets including joint ventures and the partial or complete divestment of some or all of the assets.

The strategic review will not necessarily result in a transaction.

For personal use only

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2019 and the performance for the half-year ended on that date of the Consolidated Entity; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) Subject to matters stated in note 2(c) of the interim 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.

On behalf of the Board



Patrick O'Connor
Executive Chairman
20 February 2020

Auditor's Independence Declaration



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 review of Metals X Limited for the half-year ended 31 December 2019, 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 review; and
- b. No contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Philip Teale'.

Philip Teale
Partner
20 February 2020

Independent Review Report



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 review report to the members of Metals X Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Metals X Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the Directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 2(c) of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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

Independent Review Report (continued)



Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Philip Teale'.

Philip Teale
Partner
Perth
20 February 2020

For personal use only