metalicity

ABN 92 086 839 992

Half-year report for the half-year ended
31 December 2019

metalicity

Half-year report for the half year ended 31 December 2019

Corporate Directory

Directors

Jason Livingstone – Managing Director
Mathew Longworth – Non- Executive Chairman
Justin Barton – Executive Director
Andrew Daley – Non-executive Director

Company Secretary

Neil Hackett

Auditors

Stantons International
Level 2
1 Walker Avenue
WEST PERTH WA 6005

Solicitors

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

Bankers

ANZ Banking Group Ltd
1275 Hay Street
WEST PERTH WA 6005

Registered Office

Level 3, 30 Richardson Street
WEST PERTH WA 6005
Telephone: +61 8 6500 0202

Share Registry

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

Stock Exchange Listing

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

Web Site: www.metalicity.com.au

Half-year report for the half year ended 31 December 2019

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Metalicity Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

The Directors of Metalicity Limited ("the Company") submit herewith the consolidated financial statements of the Company and its subsidiaries ("the Group") for the half-year ended 31 December 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information about the Directors and senior management

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

Name	Particulars
Jason Livingstone	Managing Director
Mathew Longworth	Executive Chairman
Justin Barton	Executive Director
Andrew Daley	Non-Executive Director

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

The loss after tax for the half-year ended 31 December 2019 was $1,040,347 (2018: Loss $3,009,805).

Company Strategy

During the half year the Company continued its ongoing development and exploration strategy for the Kookynie and Yundamindra Gold Projects. With the spinout of its zinc asset of Admiral Bay into Kimberley Mining and seeking of Joint Venture/Farm Out partners for the Warburton and North Fraser Range Projects, it was decided that the Company will focus its efforts in developing a sustainable gold operation in partnership with Nex Metals Explorations over the Kookynie and Yundamindra Gold Projects.

Accordingly, several drilling programmes were executed over the Kookynie Gold Project. The intent is to establish a maiden JORC 2012 compliant mineral resource estimate over the known prospects at Kookynie, coupled with discovery of complimentary prospects to develop a pipeline of Projects at Kookynie and Yundamindra.

Kookynie and Yundamindra Gold Projects

Metalicity has continued to actively develop its Kookynie and Yundamindra Gold Projects, located in the Goldfields district of Western Australia. The Kookynie Project, which is located approximately 50 km south of Leonora is host to six historic, large-producing historical mines: Champion, McTavish, Leipold, Diamantina, Cosmopolitan and Cumberland.

DIRECTORS' REPORT (CONTINUED)

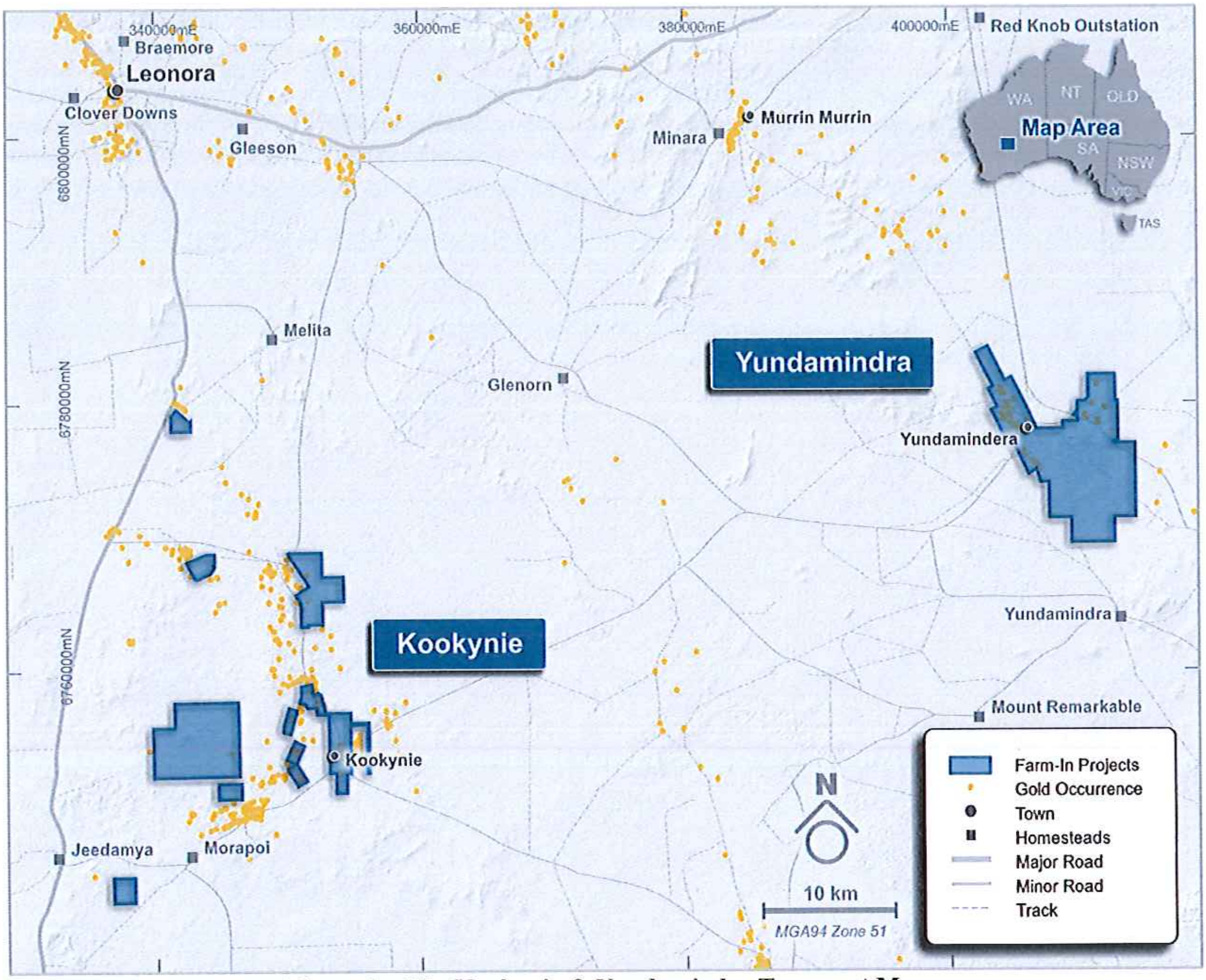

Figure 1 – The Kookynie & Yundamindra Tenement Map

The Company has successfully completed three drilling campaigns at the project to date, which have intersected significant gold mineralisation beyond the boundaries of the historic activities in each programme and with every drill hole. The table below summarises significant intercepts returned from all programmes to date:

DIRECTORS' REPORT (CONTINUED)

				MGA 94 Zone 51 South										
Prospect	Hole ID	Tenement	Hole Type	Easting	Northing	RL	EOH	Dip	Azi	From (m)	To (m)	Down Hole Width (m)	Grade (Au g/t)	Comments
Leipold	LPRC0001	M40/22	RC	350,744	6,752,130	420	48	-60	250	34	43	9	7.31	9m @ 7.31 g/t Au from 34m
								including		34	37	3	7.91	inc. 3m @ 7.91 g/t Au from 34m
								including		39	43	3	10.4	inc. 3m @ 10.4 g/t Au from 39m
								including		40	41	1	31.2	inc. 1m @ 31.2 g/t Au from 40m
	LPRC0002		RC	350,760	6,752,040	431	42	-60	250	18	22	4	7.1	4m @ 7.1 g/t Au from 18m
								including		19	21	2	10.8	inc. 2m @ 10.8 g/t Au from 19m
								-60	250	26	29	3	3.4	3m @ 3.4 g/t Au from 26m
	LPRC0003		RC	350,766	6,752,030	431	42	-60	250	24	30	6	9.4	6m @ 9.4 g/t Au from 24m
								including		26	28	2	19	inc. 2m @ 19 g/t Au from 26m
	LPRC0004		RC	350,785	6,752,027	431	60	-60	250	38	46	8	3.2	8m @ 3.2 g/t Au from 38m
								including		38	41	3	6.3	inc. 3m @ 6.3 g/t Au from 38m
McTavish	McTRC0001	M40/77	RC	350,647	6,754,118	423	112	-60	270	67	71	4	6.4	4m @ 6.4 g/t Au from 67m
								including		67	68	1	15.47	inc. 1m @ 15.47 g/t Au from 67m
	McTRC0002			350,647	6,754,098	424	84	-60	270	73	76	3	1.41	3m @ 1.41 g/t Au from 73m
	McTRC0003		RC	350,576	6,754,153	423	30	-60	270	14	15	1	1.9	1m @ 1.9 g/t Au from 14m
	McTRC0004		RC	350,596	6,754,153	423	48	-60	270	33	35	2	2.2	2m @ 2.2 g/t Au from 33m
	McTRC0005		RC	350,618	6,754,083	424	66	-60	270	48	53	5	17.9	5m @ 17.9 g/t Au from 48m
								including		51	52	1	80.17	inc. 1m @ 80.17 g/t Au from 51m
Champion	CPRC0001	M40/27	RC	352,224	6,757,503	417	112	-60	270	Stope fill intersected - structure present but mined out.				
	CPRC0002			352,265	6,757,582	416	138	-60	250	127	128	1	1.35	1m @ 1.35 g/t Au from 127m
	CPRC0003		RC	352,158	6,757,586	417	48	-60	270	31	33	2	1.8	2m @ 1.8 g/t Au from 31m
	CPRC0004		RC	352,149	6,757,566	417	30	-60	270	28	30	2	25.2	2m @ 25.2 g/t Au from 28m to EOH
								including		28	29	1	42.04	inc. 1m @ 42.04 g/t Au from 28m
	CPRC0005		RC	352,167	6,757,631	417	42	-60	270	16	17	1	1.3	1m @ 1.3 g/t Au from 16m
										39	40	1	2.1	1m @ 2.1 g/t Au from 39m
	CPRC0006		RC	352,167	6,757,649	417	54	-60	270					Assays Pending
DCC Trend	CDRCDD0001	M40/61	RC/DD Tail	354,377	6,753,209	427	186	-60	270	167	168	0.72	3.1	0.72m @ 3.1 g/t Au from 167m
										173.1	173	0.21	8.8	0.21m @ 8.8 g/t Au from 173.07m
										174.9	176	1.15	1.5	1.15m @ 1.5 g/t Au from 174.85m
	CLRC0001	M40/61	RC	354,153	6,754,058	429	136	-60	270	72	74	2	1.4	2m @ 1.4 g/t Au from 72m
	CDDD0001	E40/332	DD	354728	6753398	432	530	-60	270	Structure diluted by Proterozoic Dolerite Dyke				
	CDRC0001	M40/61	RC	354284	6753513	430	148	-60	270	76	78	2	22.1	2m @ 22.1 g/t Au from 76m

Table 1 – All Drill Hole Intercepts to date

Throughout the period, Metalicity also continued to expand its tenure at the Kookynie and Yundamindra Projects, making efforts to consolidate its landholdings in an area which has historically been characterised by fractured ownership.

Importantly, all of funds used through its acquisition and farm-in activities at Kookynie and Yundamindra will be included and contribute towards Metalicity's arrangement with NEX Metals to spend $5 million to earn 51% ownership of the projects.

At Kookynie, the Company has outright acquired the exploration license E40/390 which is immediately west of the lease hosting the main Kookynie Project area coupled with an acquisition of P40/1331. These acquisitions are complimented with further tenement pegging exercises that saw the Company acquire rights to E40/387, P40/1510, P40/1511 and P40/1512. The Company has also entered into a farm-in agreement with Paris Enterprises for exclusive right to explore E40/289, see Figure 2:

DIRECTORS' REPORT (CONTINUED)

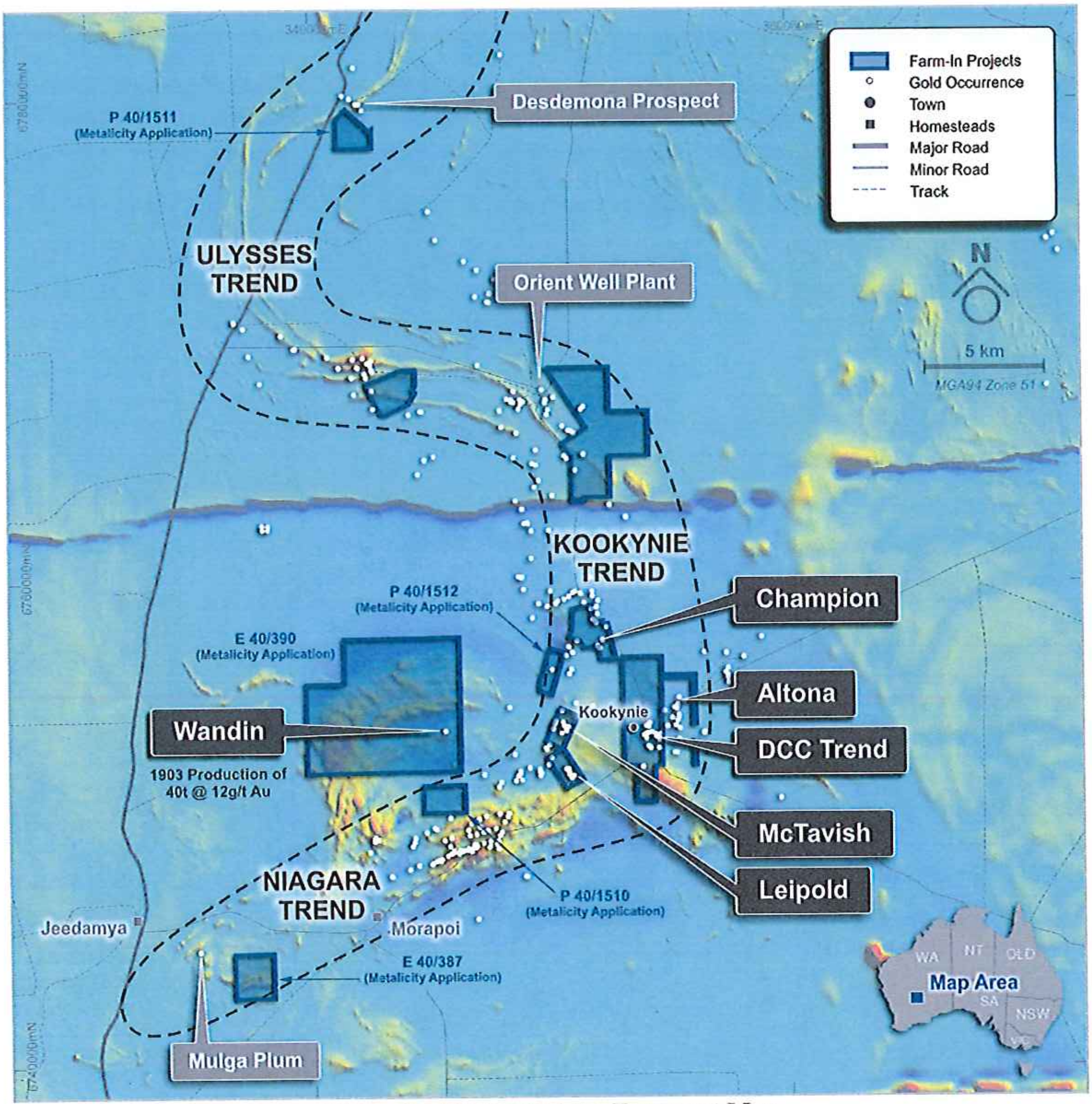

Figure 2 – Kookynie Area Tenement Map

Furthermore, during the period, the Company has also entered into a similar farm-in agreement with Paddick Investments to have exclusive right to explore and earn into two strategic and highly prospective tenements immediately south of the Yundamindra Gold Project, please see Figure 3:

DIRECTORS' REPORT (CONTINUED)

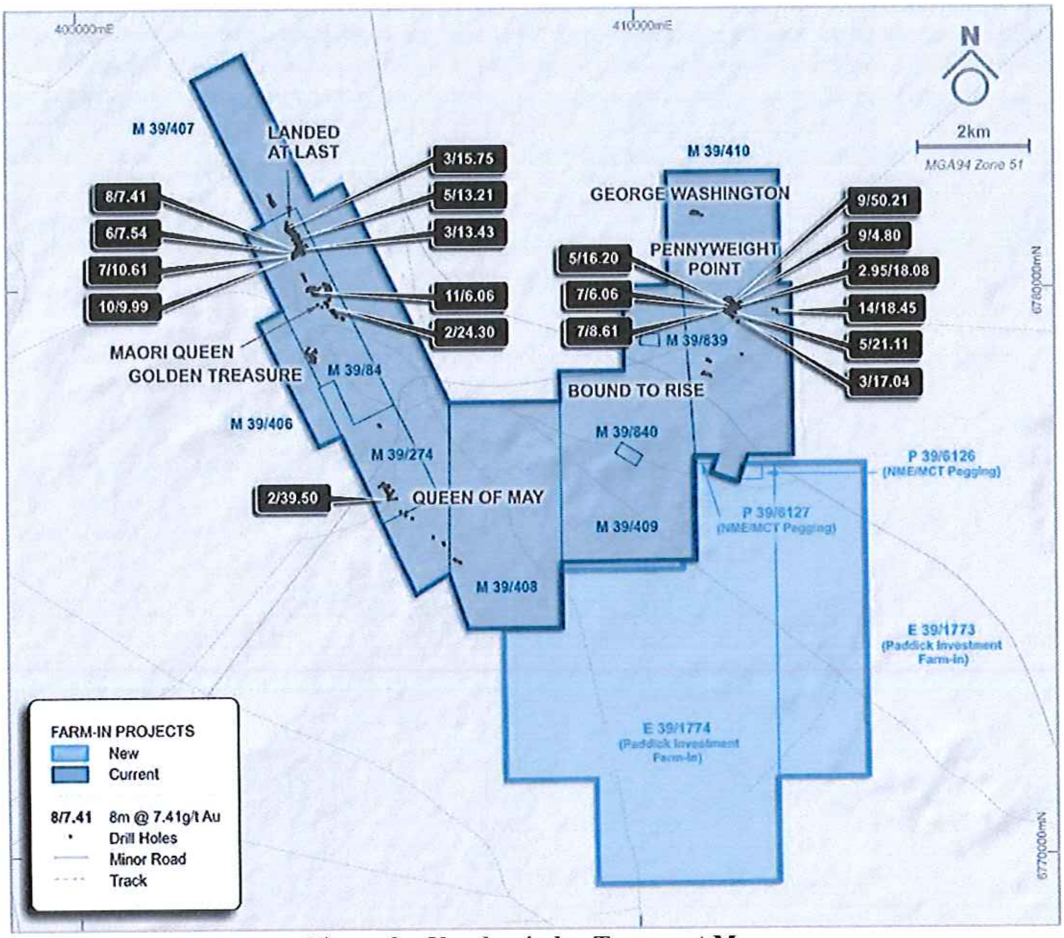

Figure 3 – Yundamindra Tenement Map

To date, all of Metalicity's acquisitions and tenement pegging activities contribute towards the $5 million required to earn 51% of the original farm-in agreement with Nex Metals (please refer to ASX Announcement "Metalicity Farms Into Prolific Kookynie & Yundamindra Gold Projects, WA" dated 6th May 2019). Since enteringintoi the farm-in agreement with Nex Metals, Metalcity has been able to triple the landholding area under the farm-in agreements control.

Regional Projects

During the half year, the Mandora, Desert Queen and the Pandora Projects were relinquished. After marketing the Projects to potential joint venture/farm-in partners, the feedback received and lack of interest in these two Projects led Metalicity to relinquish and see a rental reimbursement.
Warburton and North Fraser Range were progressed through to grant and executing a native title agreement to allow access is ongoing. However, Metalicity is experiencing significant delays due to this process and post quarter end, Metalicity will be relinquishing these Projects.

The relinquishment of the Projects allows Metalicity to solely focus on the Kookynie Gold Project whereby the Company can concentrate its efforts to maximising the value in this prolific and well-endowed gold Project.

DIRECTORS' REPORT (CONTINUED)

Kimberley Mining Limited – Admiral Bay

As announced on the 21 November 2019 (please refer to ASX Announcement titled "Kimberley Mining Update"), Kimberley Mining Limited (KML) decided to not pursue the TSX-V IPO. This was the advice given and with the backdrop of 13 mining related IPO's performed within the Canadian Capital Markets which collectively raised circa CAD$8 million. With our assistance, KML has reduced all its costs and the Project is on "care and maintenance".

However, the main Exploration License, E04/1610 was granted a two-year extension in September 2019. This, with Metalicity highlighting fundamental positives within the Project through increased prospectivity of higher grading domains, we are exploring options value maximising options and continue to monitor the Canadian market, along with other markets, to ensure that value is created for Metalicity and KML shareholders alike.

We will keep the market abreast of any developments through our efforts to monetise this asset.

Competent Person Statement

Information in this report that relates to Exploration results and targets is based on, and fairly reflects, information compiled by Mr. Jason Livingstone, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr. Livingstone is an employee of Metalicity Limited and a shareholder. Mr. Livingstone has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Livingstone consents to the inclusion of the data in the form and context in which it appears.

DIRECTORS' REPORT (CONTINUED)

Subsequent events

The Directors are not aware of any other matter or circumstance that has arisen since 31 December 2019 which has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Auditor's independence declaration

The auditor's independence declaration is included on page 9 of the half-year report.

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

On behalf of the Directors

Jason Livingstone
Managing Director
Perth, Western Australia

13 March 2020

Stantons International Audit and Consulting Pty Ltd
trading as
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Chartered Accountants and Consultants

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13 March 2020

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

Dear Directors

RE: METALICITY LIMITED

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

As Audit Director for the review of the financial statements of Metalicity Limited for the six months ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED

Martin Michalik

Martin Michalik
Director

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Metalicity Limited, which comprises the consolidated condensed statement of financial position as at 31 December 2019, the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity, and consolidated condensed statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Metalicity Limited (the consolidated entity). The consolidated entity comprises both Metalicity Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

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

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Metalicity Limited on 13 March 2020.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

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

Material Uncertainty related to Going Concern and the Carrying Value of Capitalised Exploration and Evaluation Expenditure

We draw attention in Note 1(e) and Note 5 and 6 to the half year financial report which describe the consolidated entity's use of the going concern basis of preparation of the financial report and the carrying value of capitalised exploration and evaluation expenditure.

As referred to in note 1(e) to the half year report, the financial report has been prepared on a going concern basis. At 31 December 2019, the company had net assets of $2,422,764, cash and cash equivalents of $220,384 and net working capital surplus of $1,652,061. The company had incurred a loss for the period ended 31 December 2019 of $1,040,347.

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

The consolidated entity is carrying capitalised exploration and evaluation expenditure held as non-current amounting to $741,086 (refer to Note 5) and within assets held for sale (refer to Note 6) totalling $1,458,368 as at 31 December 2019. The recoverability of the consolidated entity's carrying value of capitalised mining exploration and evaluation expenditure, including within assets held for sale, is dependent on the successful commercial exploitation of the assets and/or sale of the assets to generate sufficient funds to at least that of their carrying values. In the event that the consolidated entity is not successful in the commercial exploitation and/or sale of the assets, the realisable value of the consolidated entity's capitalised exploration expenditure assets (including under assets held for sale) may be significantly less than their current carrying values.

Our conclusion is not modified in respect of these matters.

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

Stantons International Audit & Consulting Pty Ltd

Cantin Cicdali

Martin Michalik
Director

West Perth, Western Australia
13 March 2020

Consolidated condensed statement of profit or loss and other comprehensive income for the half-year ended 31 December 2019

	Note	Consolidated 31 December 2019 $	31 December 2018 $
Revenue from continuing operations	3	118,755	207,892
Expenses	4	(1,159,102)	(3,217,697)
Loss before income tax expense		(1,040,347)	(3,009,805)
Income tax expense		-	-
Loss after income tax		**(1,040,347)**	**(3,009,805)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss		-	2,653
Items that will not be reclassified subsequently to profit or loss		-	-
Foreign currency translation		24,716	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		**(1,015,631)**	**(3,007,152)**
Loss attributable to:			
Owners of the parent		(1,012,586)	(3,007,152)
Non-controlling interest		(27,761)	-
		(1,040,347)	(3,007,152)
Total comprehensive loss attributable to:			
Owners of the parent		(1,006,460)	(3,007,152)
Non-controlling interest		(9,171)	-
		(1,015,631)	**(3,007,152)**
Basic loss per share (cents)	8	(0.15)	(0.51)
Diluted loss per share (cents)	8	(0.15)	(0.51)

The accompanying notes form part of these financial statements.

Consolidated condensed statement of financial position as at 31 December 2019

	Note	Consolidated 31 December 2019 $	30 June 2019 (restated) $
Current assets			
Cash and cash equivalents		220,384	666,560
Trade and other receivables		67,522	76,723
Assets held for sale	6	1,458,368	2,734,940
Other assets		192,931	499,847
Total current assets		1,939,205	3,978,070
Non-current assets			
Exploration and evaluation expenditure	5	741,086	204,133
Plant and equipment		1,159	1,191
Right of use asset	7	84,673	-
Total non-current assets		826,918	205,324
Total assets		2,766,123	4,183,394
Current liabilities			
Trade and other payables		226,250	334,310
Provision		32,158	22,070
Lease liability	7	28,736	-
Liabilies related to assets held for sale	6	-	1,034,941
Total current liabilities		287,144	1,391,321
Non-current liabilities			
Lease liability	7	56,215	-
Total non-current liabilities		56,215	-
Total liabilities		343,358	1,391,321
Net assets		2,422,764	2,792,073
Equity			
Parent entity interest:			
Issued Capital	9	47,537,030	46,955,647
Other reserves		4,110,691	4,060,009
Accumulated losses		(49,486,105)	(48,473,519)
Total parent entity interest		2,161,616	2,542,137
Minority interest in controlled entities		261,148	249,936
Total equity		2,422,764	2,792,073

The accompanying notes form part of these financial statements.

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Consolidated condensed statement of changes in equity for the half-year ended 31 December 2019

	Issued Capital	Share Based Payments Reserve	Performance Rights Reserve	Option Premium Reserve	Foreign Exchange Reserve	Accumulated losses	Non Controlling Interest	Total
Consolidated	$	$	$	$	$	$	$	$
Balance at 1 July 2019	46,955,647	4,563,534	-	1,500	(35,676)	(48,692,932)	-	2,792,073
Correction of error	-	(476,085)	-	-	6,736	219,413	249,936	-
Balance at 1 July 2019 (restated)	46,955,647	4,087,449	-	1,500	(28,940)	(48,473,519)	249,936	2,792,073
(Loss) for the period	-	-	-	-	-	(1,012,586)	(27,761)	(1,040,347)
Other comprehensive income	-	-	-	-	6,126	-	18,590	24,716
Total comprehensive loss for the period	-	-	-	-	6,126	(1,012,586)	(9,171)	(1,015,631)
Issue of share capital	592,725	-	-	-	-	-	-	592,725
Issue of employee performance rights	-	-	64,939	-	-	-	-	64,939
Issue costs	(11,342)	-	-	-	-	-	-	(11,342)
Movement due to increase in NCI	-	(20,383)	-	-	-	-	20,383	-
Total transactions with owners	581,383	(20,383)	64,939	-	-	-	20,383	646,322
Balance at 31 December 2019	47,537,030	4,067,066	64,939	1,500	(22,814)	(49,486,105)	261,148	2,422,764
Consolidated								
Balance at 1 July 2018	46,638,047	2,025,208	-	1,500	-	(44,282,556)	-	4,382,199
(Loss) for the period	-	-	-	-	-	(3,009,805)	-	(3,009,805)
Total comprehensive loss for the period	-	-	-	-	-	(3,009,805)	-	(3,009,805)
Issue of special warrants: Kimberly Mining Ltd	-	-	-	2,403,063	-	-	-	2,403,063
Issue of director options	-	5,894	-	-	-	-	-	5,894
Deferred acquisition costs	160,000	-	-	-	-	-	-	160,000
Foreign exchange reserve	-	-	-	-	2,653	-	-	2,653
Total transactions with owners	160,000	5,894	-	2,403,063	2,653	-		2,571,610
Balance at 31 December 2018	46,798,047	2,031,102	-	2,404,563	2,653	(47,292,361)		3,944,004

The accompanying notes form part of these financial statements.

Consolidated condensed statement of cash flows for the half-year ended 31 December 2019

	Note	Consolidated 31 December 2019 $	31 December 2018 $
Cash flows from operating activities			
Payments to suppliers and employees		(735,983)	(3,265,508)
Interest received		303	23
Other income		45,223	109,829
Net cash (used in) operating activities		(690,457)	(3,155,656)
Cash flows from investing activities			
Payment for acquisition of tenements		(10,000)	-
Proceeds from disposal of tenements		-	1,519,007
Proceeds from sale of shares		78,871	44,125
Payments for tenements and exploration expenditure		(408,995)	(241,204)
Net cash (used in) investing activities		(340,124)	1,321,928
Cash flows from financing activities			
Proceeds from share issue		592,725	-
KML capital raised		-	2,076,035
Issue costs		(11,342)	-
Net cash provided by financing activities		581,383	2,076,035
Net (decrease)/increase in cash and cash equivalents		(449,198)	242,307
Cash and cash equivalents at the beginning of the financial period		666,560	1,866,233
Effects of exchange rate changes on the balance of cash held in foreign currencies		3,022	53,914
Cash and cash equivalents at the end of the financial period		220,384	2,162,454

The accompanying notes form part of these financial statements.

Condensed notes to the consolidated financial statements for the half-year ended 31 December 2019

1. Significant accounting policies

a. Statement of compliance

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

b. Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 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 entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Metalicity Limited and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2019, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 13 March 2020.

c. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except for those as described in Note 1(d) below.

d. New and Amended Standards Adopted by the Group

The Group has considered the implications of new and amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies and make adjustments as a result of adopting the following Standard:

- AASB 16: *Leases*

The impact of the adoption of this Standard and the respective accounting policies is disclosed in Note 1 (d) below.

- **Changes in Accounting Policies**

This note describes the nature and effect of the adoption of AASB 16: *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

As a result of the changes in Group's accounting policies, prior year financial statements were required to be restated. However, the Group has adopted AASB 16: *Leases* retrospectively with the cumulative effect of initially applying AASB 16 recognised as 1 July 2019.

Condensed notes to the consolidated financial statements for the half-year ended 31 December 2019

1. Significant accounting policies (continued)

d. New and Amended Standards Adopted by the Group (continued)

i. Leases

The Group as lessee

At inception of a contract the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows;

- fixed lease payments less any lease incentives;
- variable lease payments that depend on index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of options to terminate the lease.

The right-of-use asses comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the costs of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

ii. Initial Application of AASB 16: *Leases*

The Group has adopted AASB 16: *Leases* retrospectively with the cumulative effect of initially applying AASB 16 recognised as 1 July 2019. In accordance with AASB 16, the comparatives for the 2018 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases (with exception of short-term and low value leases) recognised as operating leases under AASB 117: *Leases* where the Group is a lessee.

Condensed notes to the consolidated financial statements for the half-year ended 31 December 2019

1. Significant accounting policies (continued)

d. New and Amended Standards Adopted by the Group (continued)

Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets were measured at their carrying values as if AASB 16 *Leases* had been applied since the commencement date of 1 November 2019 but discounted using the Group's incremental borrowing rate per lease term as at 1 July 2019. The right-of-use assets have been recognised in the statement of financial position as at 1 July 2019.

The following practical expedients have been used by the Group in applying AASB 16 *Leases* for the first time:

- The use of hindsight to determine lease terms or contracts that have options to extend or terminate.

The Group's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 4.23%.

e. Going Concern

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

For the half year ended 31 December 2019, the Group recorded a loss of $1,040,347 (December 2018: loss $3,009,805).

The Group has a working capital surplus of $1,652,061 at 31 December 2019 (June 2018: surplus of $2,586,749).

The directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will continue to raise further funds through the disposal of non-core assets and capital raisings and will meet its expenditure commitments as required.

f. Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of the Company as at 31 December 2019 and the results of the subsidiaries for the period then ended.

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

g. Correction of prior errors

During the current reporting period, the Group reviewed its consolidation worksheets to ensure that all the non-controllling interests in Kimberley Mining Limited had been appropriately disclosed. Consequently, there were errors noted and have been corrected.

Condensed notes to the consolidated financial statements for the half-year ended 31 December 2019

1. Significant accounting policies (continued)

g. Correction of prior errors (continued)

30 June 2019 Comparatives

The impact of the correction of the error on the 30 June 2019 comparatives is summarised as follows:

Statement of Financial Position (Extract)	30 June 2019 (Previously Reported)	Increase / (Decrease)	30 June 2019 Restated
Equity	46,955,647	-	46,955,647
Reserves	4,529,358	(469,349)	4,060,009
Accumulated Losses	(48,692,932)	219,413	(48,473,519)
Non-Controlling Interest	-	249,936	249,936
	2,792,073	-	2,792,073

2. Segment information

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

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

	Consolidated	
Segment result	**31 December 2019 $**	**31 December 2018 $**
Segment revenue		
Australia	118,755	166,204
Canada	-	41,688
	118,755	207,892
Segment expenses		
Australia	(1,035,635)	(2,230,442)
Canada	(4,712)	(987,255)
	(1,040,347)	(3,217,697)
Income tax	-	-
Profit/(loss) after tax	(1,040,347)	(3,009,805)

2. Segment information (continued)

Segment assets and liabilities	Consolidated		Consolidated	
	Non-current assets		Non-current liabilities	
	31 December 2019	30 June 2019	31 December 2019	30 June 2019
	$	$	$	$
Australia	826,918	205,324	56,215	-
Canada	-	-	-	-
	826,918	205,324	56,215	-

	Total assets		Total liabilities	
	31 December 2019	30 June 2019	31 December 2019	30 June 2019
	$	$	$	$
Australia	1,307,755	1,385,542	343,358	226,421
Canada	1,458,368	2,797,852	-	1,164,900
	2,766,123	4,183,394	343,358	1,391,321

3. Revenue

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

	Consolidated	
	31 December 2019	31 December 2018
	$	$
Gain on sale of shares	4,795	44,125
Rental income	45,223	33,681
Foreign exchange gains	3,418	53,914
Interest earned	303	23
Other income	65,016	76,149
	118,755	**207,892**

Condensed notes to the consolidated financial statements for the half-year ended 31 December 2019

4. Expenses

	Consolidated	
	31 December 2019 $	31 December 2018 $
Accounting and audit	16,230	32,508
ASX	12,221	20,644
Company secretarial fees	24,000	34,722
Consulting fees	41,129	81,447
Depreciation	4,940	1,939
Directors' remuneration - cash	168,303	228,826
Directors' remuneration – share based payment	64,939	5,894
Insurance	19,005	12,079
Impairment expense	353,962	348,069
Investor relations	35,000	22,698
Legal fees	115,908	89,907
Project work and generation - cash	-	207,577
KML costs	4,712	1,248,101
Rent and office costs	99,229	114,299
Salaries and on costs	59,554	80,475
Share registry fees	34,380	4,256
Travel and accommodation	19,293	18,066
Net loss on sale of tenements	-	615,385
Other	86,297	50,805
Total Expenses	**1,159,102**	**3,217,697**

5. Exploration and evaluation expenditure

	Consolidated	
	31 December 2019 $	30 June 2019 $
Opening balance	204,133	2,304,094
Expenditure incurred	536,953	603,245
Tenements sold	-	(2,068,372)
Impairment expense	-	(634,834)
Closing balance	**741,086**	**204,133**

Total expenditure incurred and carried forward in respect of specific projects

Kookynie/Yundumindra JV Assets	741,086	204,133
	741,086	**204,133**

Condensed notes to the consolidated financial statements for the half-year ended 31 December 2019

6. Assets Held for Sale

	Consolidated	
	31 December 2019 $	30 June 2019 $
Assets Held for Sale		
Balance at beginning of the period	2,734,940	9,175,727
Capitalised expenditure on assets held for sale	61,490	383,629
Disposal of asset under Deed of Settlement[(1)]	(1,034,941)	-
Impairment of Assets Held for Sale	(309,138)	(6,824,416)
Translation difference	6,017	-
Balance of assets held for sale	**1,458,368**	**2,734,940**

	Consolidated	
	31 December 2019 $	30 June 2019 $
Liabilities Related to Assets Held for Sale		
Balance at beginning of the period	1,034,941	8,553,180
Translation difference	-	34,941
Payment of deferred acquisition costs	-	(500,000)
Reversal of deferred income	-	(7,053,180)
Satisfaction of liability under Deed of Settlement[(1)]	(1,034,941)	-
Balance of assets held for sale	-	**1,034,941**

[(1)]During the half year, Ridgecape Holdings Pty Ltd entered into an Deed of Settlement with Meridian (Lennard Shelf Project) Pty Ltd to return the Napier Range tenements in satisfaction of the outstanding liability to Meridian (Lennard Shelf Project) Pty Ltd being satisfied.

7. Leases

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Consolidated	
	31 December 2019 $	30 June 2019[(1)] $
Right of use assets		
Building – at initial recognition	89,582	-
Less: Accumulated depreciation	(4,909)	-
	84,673	-
Lease liabilities		
Current	28,736	-
Non-current	56,215	-
	84,951	-

[(1)]In previous year, the group only recognised lease assets and liabilities in relation to leases that were classified as "finance leases' under IAS 17 Leases.

7. Leases (continued)

(b) Amounts recognised in the statement of profit and loss

The statement of profit or loss shows the following amounts relating to leases:

	Consolidated	
	31 December 2019 $	30 June 2019(1) $
Depreciation charge of right of use assets		
Building	(4,909)	-
	(4,909)	-
Interest expense	**(623)**	-

(c) The group's leasing activities and how these are accounted for

The group leases an office premises which has a 3 year fixed term commencing on 1 November 2019, with an option to extend.

Contracts contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Lease assets may not be used as security for borrowing purposes.
Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any lease incentives receivable
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amount expected to be payable by the group under the residual value guarantees
- The exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the group exercising the option.

Lease payments to be made under the reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

8. Earnings/(loss) per share

	Consolidated	
	31 December 2019 Cents	31 December 2018 Cents
(a) Basic loss per share		
Loss attributable to the ordinary equity holders of the Company	(0.15)	(0.51)
(b) Diluted loss per share		
Loss attributable to the ordinary equity holders of the Company	(0.15)	(0.51)
(c) Reconciliation of loss used in calculating earnings per share		
Basic and diluted loss per share		
Loss attributable to the ordinary equity holders of the Company	(1,012,586)	(3,009,805)

	Consolidated	
	31 December 2019 Number	31 December 2018 Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share	668,370,929	593,550,702
Adjustment for calculation of diluted earnings/(loss) per share – Options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share	668,370,929	593,550,702

Condensed notes to the consolidated financial statements for the half-year ended 31 December 2019

9. Contributed equity

(a) Issued share capital

	Consolidated	
	31 December 2019 $	30 June 2019 $
723,209,938 (30 June 2019: 624,422,475) fully paid ordinary shares	47,537,030	46,955,647

(b) Movement in ordinary share capital

Date	Details	Number of shares	$
01/07/2019	Opening balance	624,422,475	46,955,647
12/09/2019	Share placement at $0.006	19,966,668	119,800
07/10/2019	Share placement at $0.006	33,843,825	203,063
25/10/2019	Share placement at $0.006	25,867,569	155,205
25/10/2019	Share placement at $0.006	19,109,401	114,656
	Share issue costs	-	(11,341)
31/12/2019	**Balance at the end of the period**	**723,209,938**	**47,537,030**

Date	Details	Number of shares	$
01/07/2018	Opening balance	592,463,745	46,638,047
12/11/2018	Deferred consideration	10,000,000	160,000
10/06/2019	Share placement at $0.006	22,514,285	157,600
30/06/2019	Reversal of prior year shares incorrectly issued	(555,555)	-
30/06/2019	**Balance at the end of the period**	**624,422,475**	**46,955,647**

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

Condensed notes to the consolidated financial statements for the half-year ended 31 December 2019

10. Options, Performance Rights and Warrants

Options

As at 31 December 2019, there were 145,796,365 unissued ordinary shares under option (30 June 2019: 175,538,837). These options are exercisable as follows:

Details	No of Options	Date of Expiry	Conversion Price $
Management incentive options	9,500,000	23/07/2020	0.025
	8,100,000	23/07/2020	0.03
	11,500,000	23/07/2020	0.04
	8,050,000	10/12/2020	0.03
	8,050,000	10/12/2020	0.04
	8,050,000	10/12/2020	0.05
	2,500,000	26/08/2021	0.06
	2,500,000	26/08/2021	0.08
	2,500,000	26/08/2021	0.10
	2,000,000	14/01/2022	0.025
	2,000,000	14/01/2022	0.035
Other options	11,257,144	31/05/2022	0.02
	5,000,000	16/01/2020	0.08
	12,766,670	18/08/2020	0.08
	26,265,023	14/02/2023	0.08
	3,000,000	12/03/2021	0.06
	3,000,000	12/03/2021	0.08
	3,993,333	12/09/2020	0.015
	6,768,765	07/10/2020	0.015
	8,995,430	25/10/2020	0.015
	145,796,365		

	31 December 2019 No.	30 June 2019 No.
Balance at beginning of the period	175,538,837	156,781,693
Granted during the period	19,757,528	22,757,144
Exercised during the period	-	-
Forfeited/expired during the period	(49,500,000)	(4,000,000)
Balance at the end of the period	145,796,365	175,538,837

Performance Rights

As at 31 December 2019, there were 2,274,713 unissued ordinary shares under performance rights (30 June 2019: 1,906,846). These performance rights are exercisable as follows:

Details	No of Rights	Date of Expiry	Conversion Price $
Employee Performance Rights	2,274,713	15/03/2021	0.00

Please note 31,625,000 Performance Rights were granted at the Annual General Meeting on 25 November 2019 but were not issued until after 31 December 2019. These Performance Rights have the following conversion price:

Class A 16,000,000 at 2.5cents expiring 30 January 2023

Class B 15,625,000 at 5cents expiring 30 January 2023

Value of the performance rights have been taken up in the financial statements for the half year ended 31 December 2019 ($64,939).

10. Options, Performance Rights and Warrants (continued)

Kimberly Mining Limited Warrants

As at 31 December 2019, there were 8,303,120 inissued ordinary shares in Kimberly Mining Limited under warrants (30 June 2019: 14,371,570). These warrants are exercisable/convertable as follows:

Details	No of Warrants	Date of Expiry	Conversion Price $
Special Warrants	5,317,250	23/08/2023	0.40
Special Warrants – Tranche 2	2,712,500	23/09/2023	0.40
	8,029,750		

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

Details	No of Warrants	Date of Expiry	Conversion Price $
Broker Warrants	176,620	29/08/2020	0.40
Broker Warrants – Tranche 2	96,750	28/09/2020	0.40
	273,370		

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

11. Share Based Payments

(a) Recognised share-based payment expense

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

	Consolidated	
	31 December 2019 $	31 December 2018 $
Options issued to employees	-	5,894
Total	-	5,894

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

31 December 2019

19,757,528 options were issued as free attaching options attached to the share placement during the period ended 31 December 2019.

31 December 2018

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

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

Condensed notes to the consolidated financial statements for the half-year ended 31 December 2019

11. Share Based Payments (continued)

(b) Types of share-based payment plans

(i) Options

There were no share based payments relating to options issued for the period ended 31 December 2019 (2018: $5,894).

(ii) Shares

There were no share based payments relating to shares issued for the period ended 31 December 2019 (2018: Nil).

(iii) Performance Rights

There were share based payments relating to performance rights issued totalling $64,939 for the period ended 31 December 2019 (2018: Nil). The Shareholders approved the Performance Rights at the Annual General Meeting and these were issued post balance date.

(iv) KML Warrants

No share based payments relating to KML warrants were issued for the period 31 December 2019 (2018: $570,044).

12. Commitments

In order to maintain the mineral tenements in which the Group is involved, the Group is committed to fulfill the minimum annual expenditure conditions under which the tenements are granted. Minimum annual expenditure required to maintain the Group's tenements is $622,480. This obligation is capable of being varied from time to time. Exploration expenditure commitments beyond this time cannot be reliably determined.

13. Subsequent events

The Directors are not aware of any matter or circumstance that has arisen since 31 December 2019 which has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years other than:

- On 10 February 2020, the Company announced the sale of its 1% NSR Royalty over three district-scale lithium properties in Westerna Australia to SilverStream SEZC for $200,000 cash.
- On 14 February 2020, 30,625,000 Performance Rights were issued to Directors, that were approved at the Annual General Meeting on 25 November 2019, and 1,000,000 Performance Rights were issued to other staff.

Directors' declaration

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

(a) the financial statements and notes set out on pages 12 to 28 are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of the Group as at 31 December 2019 and of its performance for the half-year ended on that date; and

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

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

On behalf of the Directors

Jason Livingstone
Managing Director
Perth, Western Australia

13 March 2020