Hylea Metals LIMITED

ABN 38 119 992 175

ANNUAL REPORT

for the year ended 30 June 2018

CORPORATE DIRECTORY

Directors	Mr David Berrie Mr Tim Kestell Mr Mark Milazzo Mr Keong Chan	Managing Director Non-Executive Director Non-Executive Director Non-Executive Director
Company Secretary	Mr Keong Chan	
Principal Place of Business and Registered Office	Suite 8, 1297 Hay Street West Perth, Western Australia, 6005 Telephone: +61 8 9322 6009 Facsimile: +61 8 9322 6128	
Website Address	www.hyleametals.com.au	
Auditor	RSM Australia Partners Level 32, Exchange Tower, 2 The Esplanade, Perth WA 6000	
Solicitor	Steinepreis Paganin Level 4, Next Building 16 Milligan Street Perth, Western Australia, 6000	
Share Registry	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St George's Terrace Perth, Western Australia, 6000 Telephone: + 61 8 9323 2000 Facsimile: + 61 8 9323 2033	
Stock Exchange	ASX Limited Exchange Plaza 2 The Esplanade Perth, Western Australia, 6000 ASX Code: HCO	

CONTENTS

The Directors present their report together with the financial report of Hylea Metals Ltd (the **Company** or **Hylea Metals**) and its subsidiaries (the **consolidated entity** or **Group**) for the year ended 30 June 2018 and the auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Mr David Berrie
Managing Director – Appointed 5 February 2018

Mr David Berrie has over 30 years' experience in the mining industry. Mr Berrie worked as a solicitor in the mining team at Clayton Utz before joining the international mining house Western Mining Corporation in 1987 with much of that time spent in the exploration division before transitioning over to BHP Billiton. Mr Berrie has extensive public company experience and continues to be a director in Summit Resources Ltd (ASX: SMM) and Magmatic Resources Ltd (ASX: MAG). Mr Berrie has a Bachelor of Laws and a Bachelor of Jurisprudence from the University of Western Australia.

Mr Mark Milazzo
Non-Executive Director- Appointed 7 March 2018

Mr Milazzo is a Mining Engineer with over 30 years experience in the development and management of mines and mineral processing plants across a range of commodities in Australia and overseas. This includes both underground and surface operations, and covers a wide range of mining applications, from small scale selective to mechanised bulk extraction methods. He has been involved in a number of new mine development and mine expansion projects. He has previously served on a number of ASX listed company boards. Mr Milazzo is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Company Directors.

Mr Tim Kestell
Non-Executive Director – Appointed 7 September 2017

Mr. Kestell has over 20 years' experience in capital markets including working for Australian stockbrokers Euroz Securities and Patersons. In the past 14 years he has played a key role in floating and re-capitalising publicly listed companies. He is currently a director of Neon Capital Ltd and Blue Capital Ltd.

Mr Keong Chan
Non-Executive Director

Special Responsibilities: Chairman of the Nomination and Remuneration Committee

Mr. Chan has provided advice to a number of companies on corporate matters in relation to capital raisings, IPOs, back door listings, mergers and acquisitions, takeovers/divestments and has sat on or acted as an advisor to a number of ASX listed boards. Mr. Chan holds a Bachelor of Commerce from the University of Western Australia and a Master of International Customs Law and Administration from the University of Canberra.

Mr Jie Chen
Non-Executive Director- Appointed 18 December 2008, resigned 1 November 2017

Special Responsibilities: Member of the Nomination and Remuneration Committee

Mr Chen has over 30 years of operational and management experience in the mining industry in the People's Republic of China (**PRC**). He started his mining and management career in 1979 with a large China state-owned coal mining enterprise in the PRC. Mr Chen was the former chairman of the Shandong Taishan Sunlight Group Company Limited (**Shandong Group**) since 2002. Under his leadership, the Shandong Group formed three vertically integrated businesses in coal, iron ore mining, processing and manufacturing with operations in Shandong, Guizhou, Ningxia and Xinjiang. The coal mine under his management holds a safety record of over 5,000 days with no fatality.

Mr Chen has a Masters degree in economics and is currently working on a doctorate degree in mine engineering with the China University of Mining and Technology. He has received numerous distinguished awards at provincial and national levels for his achievements in entrepreneurship and leadership including being one of the 10 excellent entrepreneurs in Shandong Province, top 20 best mine managers in the PRC and PRC's excellent entrepreneur.

Mr Gang Xu
Non-Executive Director- Appointed 1 June 2006, resigned 5 February 2018

Mr Xu is a geologist with over 20 years' experience in the mining and energy industry. He spent 9 years as a senior exploration geologist with the China National Nuclear Corporation (CNNC) which explored for uranium in eastern and northern China. Mr Xu was also the Finance and Marketing Manager for Sino Gold Limited which developed the first international standard mining operation in the PRC. In addition to his technical skills and experience in exploration and mining, he has significant diverse experience in business research, marketing and finance.

Mr Xu completed his Masters of Business Administration in the United States in 1997. He also completed his Masters of Geology in the PRC. He is a member of AusIMM.

COMPANY SECRETARY

Mr Keong Chan

Mr. Chan has provided advice to a number of companies on corporate matters in relation to capital raisings, IPOs, back door listings, mergers and acquisitions, takeovers/divestments and has sat on or acted as an advisor to a number of ASX listed boards. Mr. Chan holds a Bachelor of Commerce from the University of Western Australia and a Master of International Customs Law and Administration from the University of Canberra.

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by directors of the Company during the last 3 years immediately before the end of the financial year are as follows:

Director	Company	Period of directorship From	To
Mr David Berrie*	Magmatic Resources Ltd	28/10/2016	Current
	Summit Resources Ltd	19/10/2006	Current
Mr J Chen**	Nil	-	-
Mr G Xu***	Aumake International Ltd	29/09/2017	Current
Mr K Chan	Aumake International Ltd	29/09/2017	Current
	Superior Lake Resources Ltd	15/11/2016	Current
Mr Mark Milazzo****	Nil	-	-
Mr Tim Kestell*****	Nil	-	-

** Appointed 5 February 2018*
*** Appointed 18 December 2008, resigned 1 November 2017*
**** Appointed 1 June 2006, resigned 5 February 2018*
***** Appointed 7 March 2018*
****** Appointed 7 September 2017*

DIRECTORS' INTERESTS

The relevant interest of each director in the securities of the Company at the date of this report is as follows:

Director	Ordinary shares	Options
Mr David Berrie*	3,000,000	-
Mr K Chan	-	5,000,000
Mr M Milazzo**	-	-
Mr T Kestell***	-	-

** Appointed 5 February 2018*
*** Appointed 7 March 2018*
**** Appointed 7 September 2017*

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings Held	Board Meetings Attended	Nomination and Remuneration Committee Meetings Held	Nomination and Remuneration Committee Meetings Attended
Mr D Berrie*	1	1	-	-
Mr K Chan	1	1	-	-
Mr M Milazzo****	1	1	-	-
Mr T Kestell*****	1	1	-	-

** Appointed 5 February 2018*
*** Appointed 7 March 2018*
**** Appointed 7 September 2017*

Committee membership

As at the date of the report, the Company had a Nomination and Remuneration Committee.

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

Nomination and Remuneration Committee
Mr K Chan (Chairman) Mr T Kestell

PRINCIPAL ACTIVITY

The principal activity of the Group during the year was the development of interests in exploration projects in the resource industry in Australia.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Group's net assets increased by $9,261,017 to $12,362,517 during the financial year. The increase in net assets principally relates to the capital raised during the year as exploration expenses capitalised during the year.

RESULTS

The Group incurred a loss of $2,171,217 for the financial year after income tax (2017: loss of $5,073,706). This loss included the incurrence of $684,811 (2017: $805,239) in exploration expenditure in accordance with the Group's accounting policies, and corporate and administrative costs of $904,613 (2017: $1,096,725).

REVIEW OF ACTIVITIES

During the year, the Group focused its activities in development of interests in exploration projects in the resource industry in Australia.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group will continue to pursue its main objective of developing interests in exploration projects. The Group also expects to pursue other acquisition and joint venture opportunities.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report because disclosure of such information would likely result in unreasonable prejudice to the Group.

DIVIDENDS

No dividend has been declared or paid by the Group to the date of this report.

ENVIRONMENTAL REGULATION

Hylea Metals exploration and mining activities are governed by a range of environmental legislation and regulations. The National Greenhouse and Energy Reporting Act 2007 require the entity to report its annual greenhouse gas emissions and energy use.

As the Group is still in the development phase of its interests in exploration projects, Hylea Metals is not yet subject to the public reporting requirements of environmental legislation and regulations. To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of the applicable environmental legislation and is not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Shares and options on issue

At the date of this report, the Company has 2,803,873,559 fully paid ordinary shares on issue.

The following options over ordinary shares in the Company were on issue at the date of this report:

Number	Grant Date	Exercise Price	Expiry Date
Unlisted Options			
200,000,000	5 February 2018	$0.01	2 February 2020
10,000,000	30 November 2016	$0.03	31 December 2019
5,000,000	23 December 2016	$0.03	31 December 2019
215,000,000			

Options granted

On 5 February 2018, the Company issued 200 million options exercisable at $0.01 per share expiring on 2 February 2020 to consultants in consideration for underwriting the placement and entitlement issue during the year.

There were no other options granted during or since the end of the year.

Options expired

No options expired during or since the end of the year.

Dividends

No dividends were paid to members during the financial year and the Directors do not recommend the payment of a dividend.

INDEMNIFICATION OF OFFICERS AND AUDITORS

Indemnification

The Company has agreed to indemnify the current Directors and Company Secretary of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and company secretary of the Company, except where the liability arises out of conduct involving a lack of good faith.

The agreement stipulates that the Company will meet to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

Insurance Premiums

The Company paid a premium during the year in respect of a director and officer liability insurance policy, insuring the directors of the Company, the company secretary, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The directors have not included details of the nature of the liabilities covered in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

NON-AUDIT SERVICES

Details of amounts paid or payable to the Company's auditor, RSM Australia Partners (**RSM**), for audit and non-audit services provided during the year are set out in note 4.

The Board are satisfied that the provision of the non-audit services is compatible with general standard of independence for auditors imposed by the *Corporations Act 2001.* The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

(a) all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor

(b) none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

REMUNERATION REPORT

The Remuneration Report sets out on pages 21 to 26 forms part of the Directors' Report and signed as part of it.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 11 and forms part of the Directors' Report.

AUDITOR

RSM Australia Partners continues in office in accordance with Section 327 of the *Corporations Act 2001*.

Dated at Perth, Western Australia this 28th day of September 2018.

Signed in accordance with a resolution of the directors:

DBerrie

Mr David Berrie
Managing Director
28 September 2018

RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Hylea Metals Limited for the year ended 30 June 2018, 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 audit; and

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

RSM

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 28 September 2018

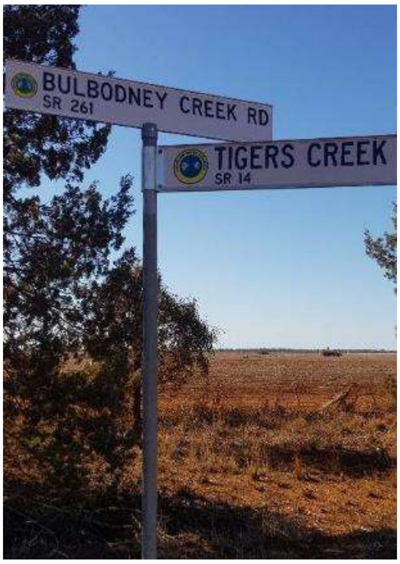
The Company changed direction in late 2017 when it commenced the acquisition of the Hylea Project from Providence Metals Pty Ltd. That acquisition was completed in February this year and since that time the Company has been focussing its efforts on that Project.

The Hylea Project is located in the Fifield "Battery Metals" District and is just 50km from CleanTeq's Sunrise project. The Fifield district also hosts Australian Mines' (ASX: AUZ) Flemington project and Platina Resources (ASX: PGM) Owendale Project. The Hylea Project encapsulates the Hylea and adjoining Bulbodney zoned ultramafic Intrusive Complexes, which are comparable scale intrusive complexes with very similar source geology, and laterite development as Sunrise, Flemington and Owendale. However, Hylea has received comparably very little exploration, which principally targeted platinum, nickel and vermiculite but not cobalt.

The Tiger's Creek prospect was identified as the most advanced prospect on which to commence exploration.

Hylea Project - Tigers Creek

The Tiger's Creek prospect is located on the eastern edge of the zoned 8km x 3.5km Hylea Ultramafic Intrusive Complex which is comprised of dunite – pyroxenite – hornblendite – monzonite rock types, overlain by a 10m to 70m thick in-situ regolith profile including laterite. The laterite sequence hosts cobalt – nickel – platinum and scandium mineralisation consistent with the nearby Sunrise (CleanTeq), Flemington (Australian Mines) and Owendale (Platina Resources) resources. The Hylea Intrusive Complex is a comparable scale intrusive complex with very similar source geology, and laterite development as Sunrise, Flemington and Owendale.



High-grade cobalt had historically been intersected in 19 of the 31 holes drilled at Tiger's Creek by previous explorers who targeted platinum, with results such as 7m at 0.32% cobalt, including 1m @ 0.64% Co (hole HRC007) and 8m at 0.27% cobalt, including 1m @ 0.85% Co (hole HRC003) returned. This drilling also intersected significant nickel, platinum and scandium including 5m @ 504ppm Scandium within 13m @ 355ppm Sc from 12m (hole HRC009), and 4m @ 460ppm Scandium from 9m, within 17m @ 323ppm Scandium (hole HRC004) (ASX: HCO 6th December 2017 "Acquisition of NSW Cobalt Nickel Project").

As a result of the previous exploration the Company targeted Tiger's Creek for its maiden drill program with outstanding success.

A 54 hole, 3,612m drill program was completed between April and May 2018 and resulted in the confirmation and enhancement of the work conducted by previous explorers. The existence of high-grade cobalt-nickel-platinum (ASX: HCO 27th June 2018 "High Grade Drilling Results at Tiger's Creek", ASX: HCO 9th July 2018 "Emerging Discovery – Further Outstanding Drill Results", ASX: HCO 14th August 2018 "High Grade Scandium & Cobalt Drilling Results Tiger's Creek". Results from the first 12 holes were released on 27th June 2018, subsequent results listed below were released after the June 30th reporting period but are included for completeness) was confirmed with best results including:

19m @ 0.10% Co, 0.68% Ni, 0.44 g/t Pt from 6m, Incl. **9m @ 0.14% Co, 0.55% Ni, 0.57g/t Pt** (HYRC005)*

16m @ 0.14% Co, 0.63% Ni, 0.43g/t Pt from 10m, Incl. **12m @ 0.17% Co, 0.70% Ni, 0.50g/t Pt** (HYRC006)**

18m @ 0.20% Co, 0.71% Ni, 1.32g/t Pt from 5m, Incl. **14m @ 0.23% Co, 0.71% Ni, 1.58g/t Pt** (HYRC007)*

8m @ 0.29% Co, 0.77% Ni, 0.73g/t Pt from 2m, Incl. **6m @ 0.37% Co, 0.89% Ni. 0.81g/t Pt** (HYRC008)*

6m @ 0.19% Co, 0.38% Ni, 0.39g/t Pt from 20m, Incl. **5m @ 0.21% Co, 0.34% Ni, 0.45g/t Pt** (HYRC009)*

16m @ 0.10% Co, 0.51% Ni, 0.65g/t Pt from 8m, Incl. **9m @ 0.13% Co, 0.57% Ni, 0.70g/t Pt** (HYRC011)*

8m @ 0.13% Co, 0.30% Ni, 0.11g/t Pt from 1m, Incl. **3m @ 0.26% Co, 0.47% Ni, 0.18g/t Pt** (HYRC015)**

8m @ 0.14% Co, 0.33% Ni, 1.51g/t Pt from 7m, Incl. **7m @ 0.16% Co, 0.29% Ni, 1.68g/t Pt** (HYRC016)**

8m @ 0.12% Co, 0.34% Ni, 0.02g/t Pt from 14m, Incl. **4m @ 0.16% Co, 0.37% Ni, 0.02g/t Pt** (HYRC021)**

7m @ 0.17% Co, 0.57% Ni, 0.10g/t Pt from 12m, (HYRC024)**

10m @ 0.12% Co, 0.42% Ni, 0.18g/t Pt from 16m, Incl. **8m @ 0.14% Co, 0.40% Ni, 0.21g/t Pt** (HYRC025)**

15m @ 0.10% Co, 0.80% Ni, 0.17g/t Pt from 30m, Incl. **5m @ 0.17% Co, 0.89% Ni, 0.14g/t Pt** (HYRC026)**

10m @ 0.10% Co, 0.41% Ni & 0.20g/t Pt from 36m, Incl. **6m @ 0.13% Co, 0.42% Ni & 0.24g/t Pt** (HYRC036)***

10m @ 0.19% Co, 0.56% Ni & 0.74g/t Pt from 12m, Incl. **8m @ 0.22% Co, 0.46% Ni & 0.79g/t Pt** (HYRC037)***

22m @ 0.14% Co, 0.51% Ni & 0.21g/t Pt from 13m, Incl. **11m @ 0.22% Co, 0.39% Ni & 0.26g/t Pt** (HYRC039)***

10m @ 0.13% Co, 0.42% Ni & 0.37g/t Pt from 14m, Incl. **6m @ 0.17% Co, 0.41% Ni & 0.40g/t Pt** (HYRC044)***

16m @ 0.12% Co, 0.34% Ni & 0.33g/t Pt from 15m, Incl. **4m @ 0.31% Co, 0.47% Ni & 0.54g/t Pt** (HYRC049)***

13m @ 0.13% Co, 0.48% Ni & 0.15g/t Pt from 27m, Incl. **6m @ 0.19% Co, 0.41% Ni & 0.20g/t Pt** (HYRC050)***

8m @ 0.24% Co, 0.15% Ni & 0.14g/t Pt from 35m (HYRC052)***

***** Drill results reported on the 27th June, refer to ASX release "High Grade Drilling Results at Tiger's Creek" for full details.

** Drill results reported on the 9th July 2018, refer to ASX release "Emerging Discovery – Further Outstanding Drill Results" for full details.

*** Drill results reported on the 14th August 2018, refer to ASX release "High Grade Scandium & Cobalt Drilling Results Tiger's Creek" for full details.

Copies of these releases can also be found on the Company's website: www.hyleametals.com.au.

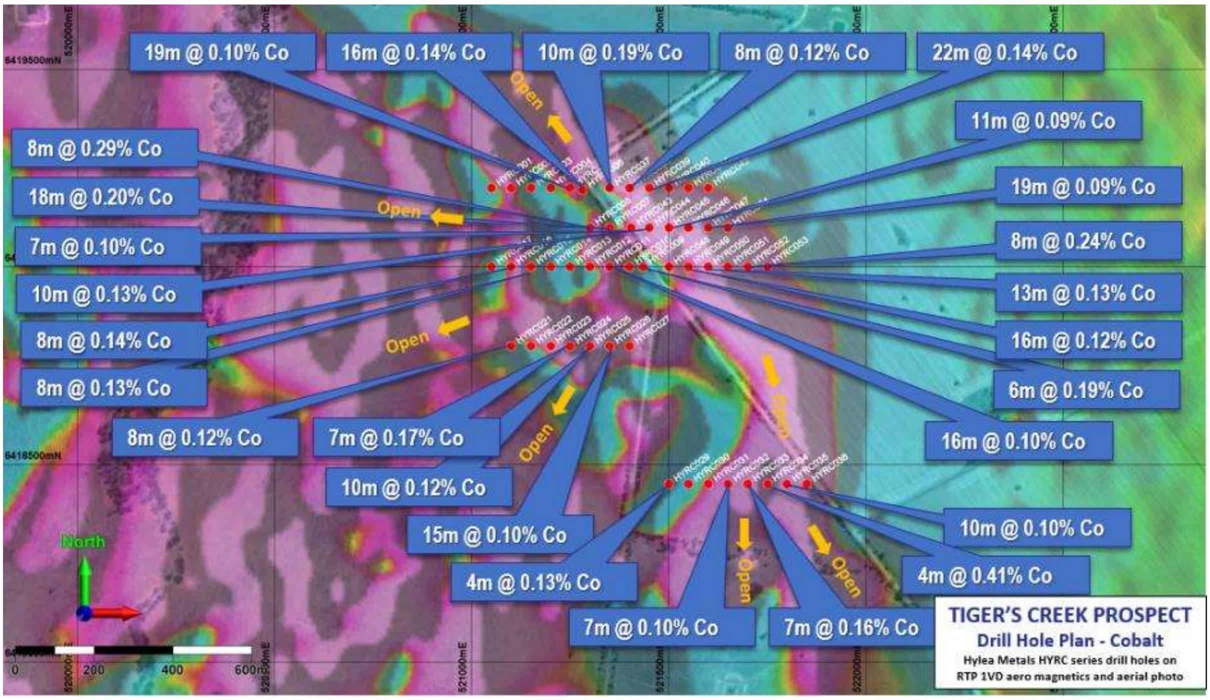


Figure 1: 2018 Drill Hole Plan – Best Cobalt intersections[1]

Drilling intersected a well-developed, at or near surface laterite and in-situ clay profile developed over ultramafic rock types including dunites, pyroxentites and peridotites in 48 out of the 54 holes. Assay results have confirmed high tenor Cobalt, Scandium, Platinum and Nickel within the laterite profile, which presently remains open in multiple directions. Results have confirmed the location and tenor of historical drilling campaigns completed by previous explorers, delivering a key aim of the program, and has given the Company significant confidence to plan follow-up drilling aiming at establishing a near-term maiden JORC Resource.

Significant Scandium[2] results were also reported from the maiden drill program at Tiger's Creek (Figure 2) with significant thicknesses up to 31m, and very high grades returned. These assays demonstrated the outstanding potential Tiger's Creek and the Hylea Intrusive Complex has for Scandium opportunities.

Best results included:

- **31m @ 471ppm Sc** from 26m, including
  - **2m @ 635ppm Sc, 2m @ 635ppm Sc** and **1m @ 600ppm Sc** (HYRC054)
- **14m @ 532ppm Sc** from 45m, including
  - **1m @ 650ppm Sc and 2m @ 705ppm Sc (HYRC053)**
- **15m @ 490ppm Sc** from 40m, including
  - **2m @ 620ppm Sc (HYRC047)**
- **12m @ 528ppm Sc** from 29m, including
  - **4m @ 633ppm Sc (HYRC046)**
- **17m @ 425ppm Sc** from 12m, including
  - **1m @ 650ppm Sc & 1m @ 670ppm Sc (HYRC042)**
- **9m @ 447ppm Sc** from 8m, including
  - **2m @ 725ppm Sc (HYRC038)**

[1](as reported ASX: HCO 27th June 2018, "High Grade Drilling Results at Tiger's Creek", ASX: HCO 9th July 2018, "Emerging Discovery – Further Outstanding Drill Results", ASX: HCO 14th August 2018, "High Grade Scandium & Cobalt Drilling Results Tiger's Creek")

Figure 2: 2018 Drill Hole Plan – Best Scandium intersections[2]

[2](as reported ASX: HCO 27th June 2018, "High Grade Drilling Results at Tiger's Creek", ASX: HCO 9th July 2018, "Emerging Discovery – Further Outstanding Drill Results", ASX: HCO 14th August 2018, "High Grade Scandium & Cobalt Drilling Results Tiger's Creek")

Radiometric / Magnetic Survey

In April this year the Company flew a tenement wide 175km^2 high-resolution aeromagnetic and radiometric survey. Flown at a height of 35m on 50m line spacing and involving careful consultation with affected landholders to ensure minimal disruption to farming activities.

Having been designed to map geology, including regolith and structures considered to be prospective for laterite-hosted cobalt deposits, the survey was an outstanding success. Surveys of this type represent a low-cost opportunity to assist explorers in targeting the more expensive exploration techniques, such as drilling. In combination with the soil sampling survey (referred to below) the Company has assembled a first-class data set to target further drill programs. Further soil sampling across the entire Hylea Intrusive Complex is underway to generate a pipeline of drill targets.

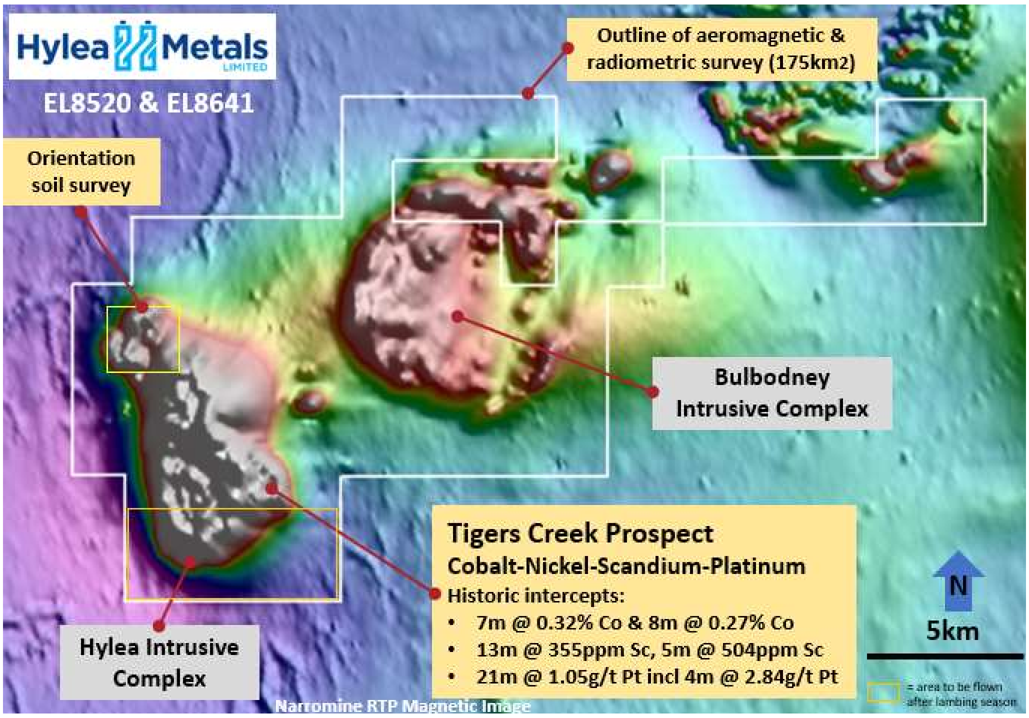


Figure 3: Hylea Cobalt-Nickel-Scandium-Platinum Project, NSW, illustrating the outline of the aeromagnetic and radiometric survey, and orientation soil geochemical survey in relation to the Tiger's Creek Prospect

Soil Geochemical Surveys

In April 2018, following a review of available surface geochemistry data and field inspection, an orientation soil program was completed. It targeted an initial area of 5.8km^2 in the north-west corner of the Hylea Intrusive Complex (Figure 3), where prospective iron-rich residual soils and ironstone float had been observed (Figure 4).

Figure 4: Iron-rich residual soils and ironstone float where orientation soil sampling was conducted

As reported on the 18th of June 2018 (ASX: HCO "Extensive new trend identified – Soil Sampling Results" for full details) this regional soil sampling survey outlined three robust Cobalt in soil geochemical anomalies (Figures 5 and 6) that collectively defined a >5km-long multi-element soil geochemical corridor containing cobalt, nickel, platinum, palladium, scandium and vanadium anomalism.

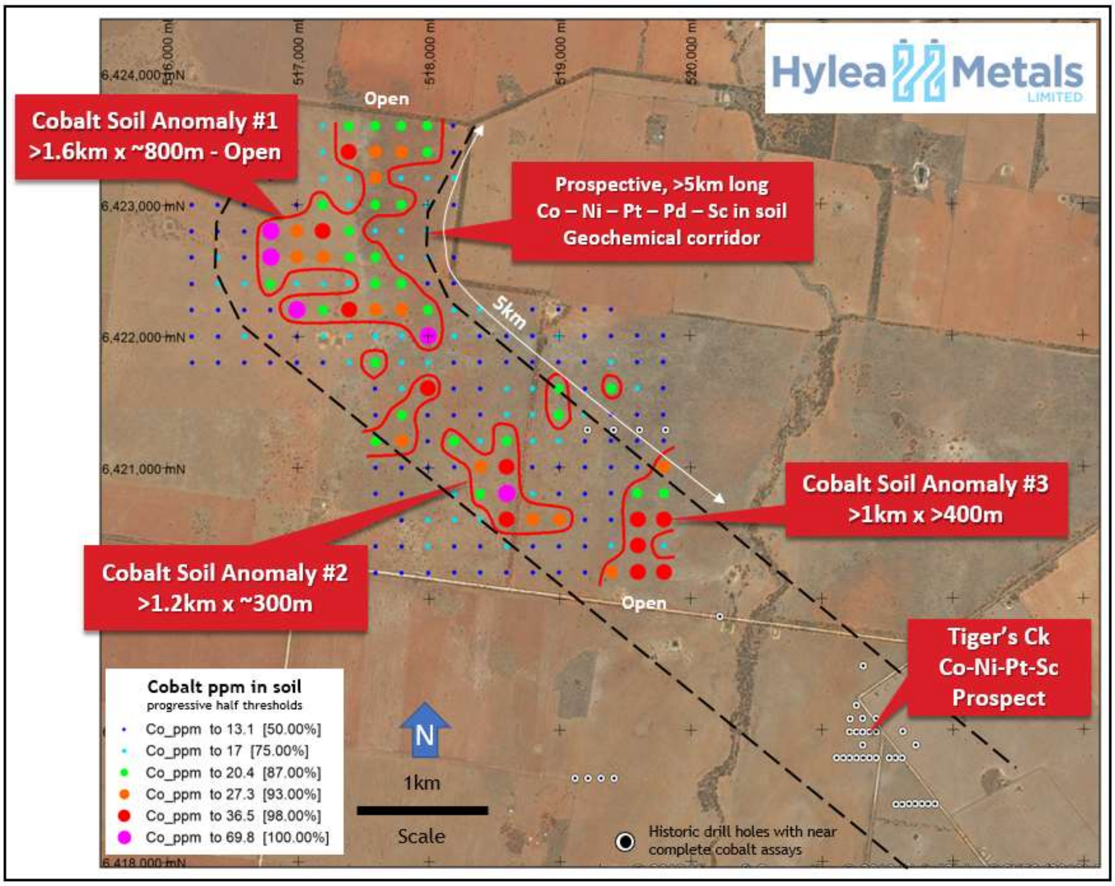


Figure 5: Cobalt (ppm) in soil anomalies on satellite image, illustrating >5km long prospective corridor

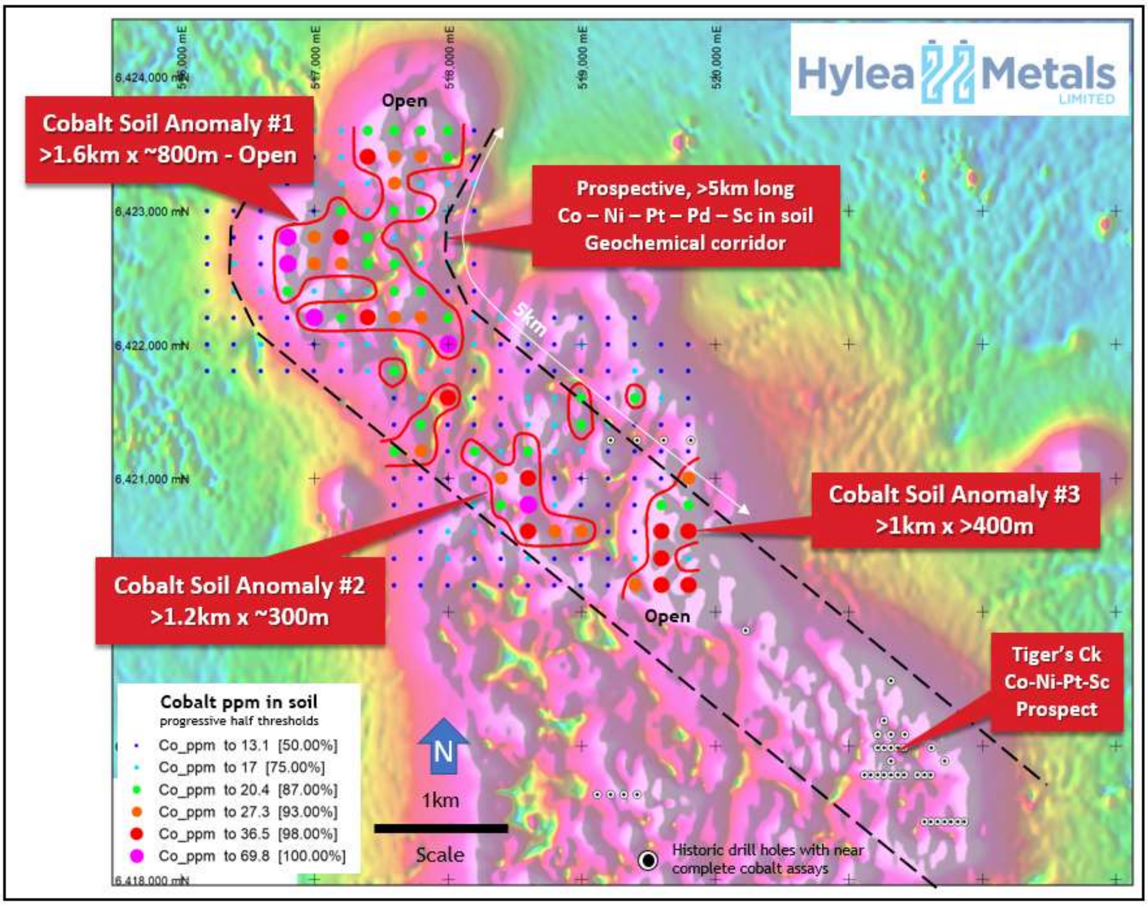


Figure 6: Cobalt (ppm) in soil anomalies on new aeromagnetic analytical signal image

The geochemical trend is 1.8km north-west of the advanced Tiger's Creek Cobalt Prospect and remains open to the north and south-east, with further soil sampling now underway.

In an interesting development the survey also identified a significant vanadium-titanium-iron soil anomaly coincident with a cobalt soil anomaly. As reported on the 18th June 2018, the vanadium anomaly (700m x 400m) remains open to the south and east. Although in an early stage and requiring more detailed investigation, this target could be considered prospective for vanadium mineralisation associated with interpreted magnetite rich, mafic-ultramafic intrusive basement rocks.

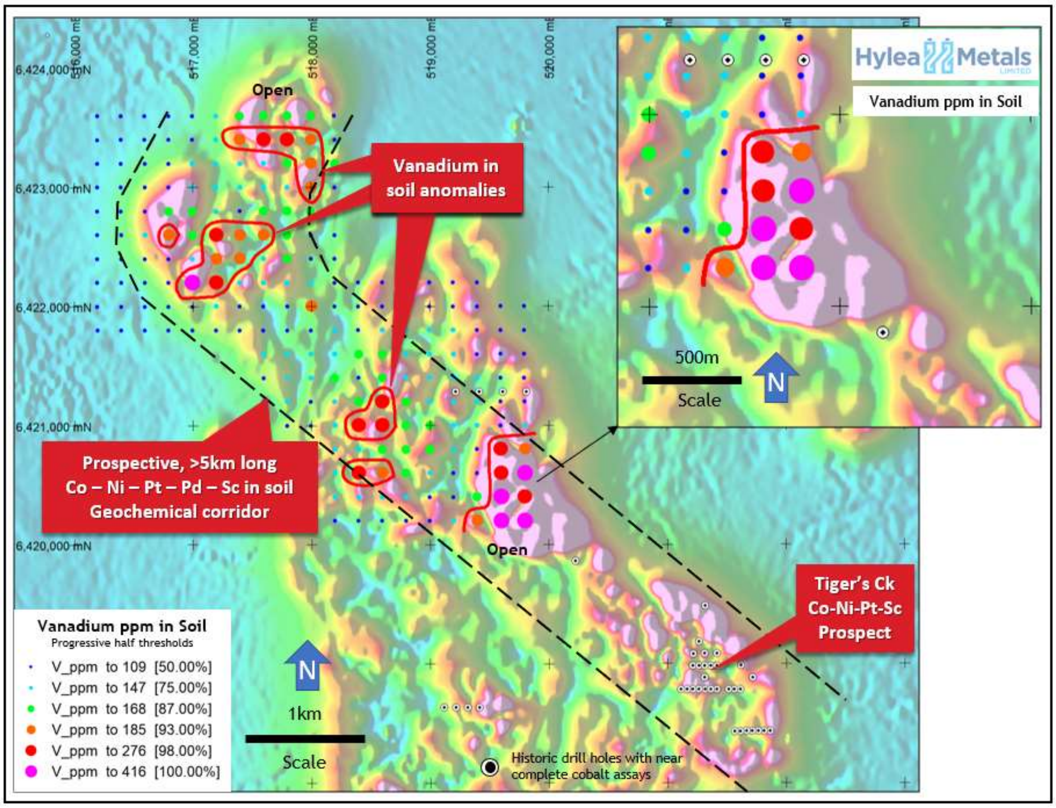


Figure 7: Vanadium (ppm) in soil anomalies on new aeromagnetic analytical signal image

Integration of the geophysical and geochemical data-sets has been undertaken to delineate a pipeline of high-quality regional cobalt targets for RC drill testing to complement the advanced Tiger's Creek cobalt prospect. This gives the Company significant encouragement that the Hylea Intrusive Complex may be host to additional cobalt, nickel, platinum and scandium mineralisation outside of the advanced Tiger's Creek prospect.

COMPETENT PERSONS STATEMENT

The information in this document that relates to Exploration Results for the Hylea Project is based on information compiled by Mr Darren Glover who is a member of the Australasian Institute of Mining and Metallurgy (AUSIMM). Mr Glover has over 20 years' experience in the mineral and mining industry. Mr Glover is a consultant to Hylea Metals, and has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Glover consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Ashburton Project

The Ashburton Project is located in the Ashburton Basin, and is 10 to 40km from rail and other infrastructure associated with the Paraburdoo iron ore operations of Rio Tinto Limited.

In April 2013 Riva Resources entered into a JV agreement with Shandong Energy Australia Pty Ltd and Shandong Lunan Geo-Engineering Exploration Institute. The JV Partners are required to spend $300,000 on exploration on the Ashburton Project to acquire 30% participating interest in the tenements (Stage One Expenditure) and have the option to acquire an additional 20% participating interest in the JV by spending an additional amount of $700,000 on exploration on the Ashburton Project (Stage Two Expenditure). The JV Partners have fulfilled the Stage One and Two expenditure commitments to earn a 50% participating interest in the JV.

Further, the JV partners have the option to spend an additional $1,000,000 on exploration on the Ashburton project to acquire an additional 15% participating interest in the JV (Stage three expenditure).

A supplementary agreement was signed with the JV partners on 28 October 2015. Under the supplementary agreement:

1. Shandong Energy & Lunan will fund an additional $187,598 expenditure on the Ashburton project to earn an additional 2.8% participating interest.
2. Stage three expenditure is removed.

However, Shandong Lunan did not fulfill its share of contribution for $93,799, the Company is working with Shandong Energy for a new holding and exploration strategy.

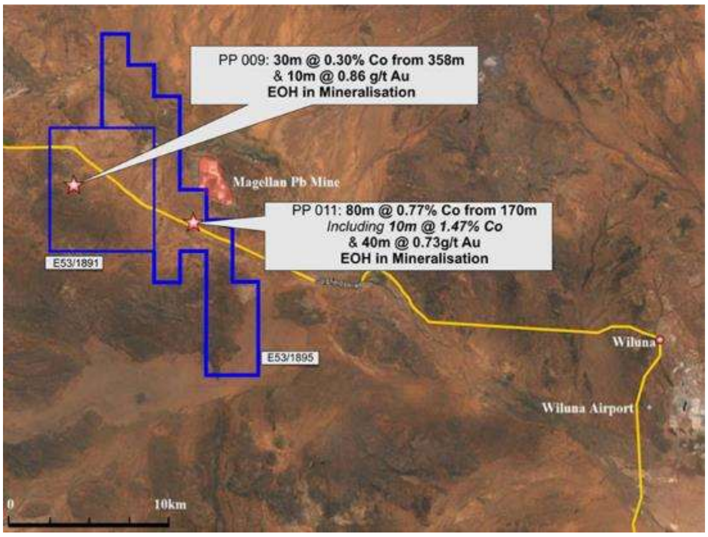
Tabac Project

The Company is currently re-assessing Tabac Cobalt-Gold Project. The Tabac Project is located on the Goldfields Highway 30km west of Wiluna and 135km east of Meekatharra in the Northern Goldfields Region of Western Australia. The Project sits adjacent to the Paroo Station Mine and camp (previously known as the Magellan Lead Mine).

The Project consists of two exploration licence applications (ELA's), 53/1891 and 53/1895, covering a combined area of 111.5km2.

The Company completed rehabilitation works for the previous drilling.

Given the disappointing drilling results, the Company is reviewing options for this project.



Hylea Metals Limited Tenement Schedule as at 27 September 2018

Project	Tenement	Area (km^2)	Status	Registered Holder	Ownership	Grant Date
New South Wales						
Hylea	EL8520	35.09	Granted	Hylea Metals Ltd	100%	21/2/2017
	EL8641	140.35	Granted	Hylea Metals Ltd	100%	31/8/2017
	ELA5689		Application	Hylea Metals Ltd	-	Application
Western Australia						
Ashburton	E08/2211-I	167.0	Granted	Hylea Metals Ltd^	75%	28/07/2011
	E08/2210-I	145.1	Granted	Hylea Metals Ltd^	75%	02/03/2012
	E08/2209-I	132.2	Granted	Hylea Metals Ltd^	75%	02/03/2012
	E47/2417-I	63.1	Granted	Hylea Metals Ltd^	75%	02/12/2011
Tabac	E53/1891	49.14	Granted	Hylea Metals Ltd	100%*	13/01/2017
	E53/1895	63.27	Granted	Hylea Metals Ltd	100%*	01/03/2017

^ Shandong Energy/Lunan JV
* Held in the name of PR Gianni

AUDITED REMUNERATION REPORT

This Remuneration Report outlines the director and executive remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its Regulations. This information has been audited as required by Section 308 (3C) of the Act.

For the purposes of this report, key management personnel ('KMP') of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Group.

KEY MANAGEMENT PERSONNEL

The following were key management personnel of the Group at any time during the financial year and unless otherwise indicated were key management personnel for the entire financial year:

Name	Position held
Mr D Berrie	Managing Director – Appointed 5 February 2018
Mr J Chen	Executive Chairman- Resigned 1 November 2017
Mr G Xu	Managing Director- Resigned 5 February 2018
Mr M Milazzo	Non-Executive Director – Appointed 7 March 2018
Mr Keong Chan	Non-Executive Director & Company Secretary
Mr T Kestell	Non-Executive Director – Appointed 7 September 2017

NOMINATION & REMUNERATION COMMITTEE

The Nomination and Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration policies for the directors and executives. If necessary, the Nomination and Remuneration Committee obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the Group. No advice was obtained during the year.

Further information on the Nomination and Remuneration Committee's role, responsibilities and membership is set out in the section entitled Corporate Governance Statement in this Annual Report.

PRINCIPLES OF REMUNERATION

The remuneration structures explained below are competitively set to attract and retain suitably qualified and experienced candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the achievement of strategic objectives;
- the Group's performance including:
    - the growth in share price; and
    - the amount of incentives within each key management person's compensation.

Given the evaluation and developmental nature of the Group's principal activity, the overall level of compensation does not have regard to the earnings of the Group.

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of non-executive directors' remuneration is clearly distinguished from that of executives.

Non-executive director remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2007 General Meeting, is not to exceed $500,000 per annum. Directors' fees cover all main board activities and membership of committees.

There is currently no performance related compensation for non-executive directors in place.

REMUNERATION STRUCTURE (cont'd)

Non-executive director remuneration (cont'd)

Non-executive directors do not receive any retirement benefits, other than statutory superannuation.

Executive remuneration

Remuneration for executives is set out in employment agreements. Details of these employment agreements are provided below.

Executive directors may receive performance related compensation but do not receive any retirement benefits, other than statutory superannuation.

Fixed remuneration

Fixed remuneration consists of base compensation (which is calculated on a total cost basis and includes any fringe benefits charges related to employee benefits including motor vehicles) as well as employer contributions to superannuation funds.

Fixed remuneration is reviewed annually by the Nomination and Remuneration Committee through a process that considers individual and overall performance of the Group. As noted above, the Nomination and Remuneration Committee has access to external advice independent of management.

Short-term and Long-term incentive

The Group does not have any short-term and long-term incentive plans.

REMUNERATION STRUCTURE (cont'd)

Consequences of performance on shareholder wealth (cont'd)

Due to the Group currently being in an evaluation and developmental phase, the Group's earnings is not considered to be a principal performance indicator. However, the overall level of key management personnel remuneration takes into account the achievement of strategic objectives, service criteria and growth in share price.

There were no performance related remuneration transactions during the financial year (2017: nil).

EMPLOYMENT AND CONSULTANCY AGREEMENTS

The Company has entered into an employment agreement with its executive directors. The employment agreements outline the components of remuneration paid to the executives and are reviewed on an annual basis.

During the financial year ended 30 June 2018, the following base salary applies:

Name	Base Salary/fees (p.a)	Term of Agreement	Notice Period
Mr D Berrie (i)	$270,000	No fixed term	6 months
Mr G Xu (ii)	$36,000	No fixed term	3 months
Mr J Chen (iii)	$24,000	No fixed term	3 months
Mr M Milazzo (iv)	$36,000	No fixed term	3 months
Mr K Chan	$84,000	No fixed term	3 months
Ms T Kestell (v)	$36,000	No fixed term	3 months

(i) Appointed 5 February 2018
(ii) Resigned 5 February 2018
(iii) Resigned 1 November 2017
(iv) Appointed 7 March 2018
(v) Appointed 7 September 2017

Executives have no entitlement to termination payment in the event of removal for misconduct.

No remuneration consultants have been used during the year.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Details of the nature and amount of each major element of the remuneration of each key management person of the Group are:

		SHORT TERM		POST-EMPLOYMENT	SHARE-BASED PAYMENTS			
		Salary & fees $	Non-Monetary $	Superannuation $	Options $	Total $	Fixed Remuneration %	Performance Based Remuneration %
Directors								
Non-executive								
Mr K Chan	2018	84,000	-	-	-	84,000	100%	-
	2017	79,500	-	-	35,647	115,147	69%	31%
Mr M Milazzo (iv)	2018	12,000	-	-	-	12,000	100%	-
	2017	-	-	-	-	-	-	-
Mr T Kestell (v)	2018	30,000	-	-	-	30,000	100%	-
	2017	-	-	-	-	-	-	-
Mr J Fishlock (vi)	2018	-	-	-	-	-	-	-
	2017	9,000	-	-	-	9,000	100%	-
Mr J Chen (iii)	2018	3,653	-	347	-	4,000	100%	-
	2017	24,658	-	2,342	-	27,000	100%	-
Executive								
Mr G Xu (ii)	2018	24,000	-	2,280	-	26,280	100%	-
	2017	49,000	-	4,655	35,647	89,302	60%	40%
Mr J King (vii)	2018	-	-	-	-	-	-	-
	2017	220,892	-	20,485	71,294	312,671	77%	23%
Mr D Berrie (i)	2018	112,500	-	10,688	-	123,188	100%	-
	2017	-	-	-	-	-	-	-
Total, all directors	**2018**	266,153	-	13,315	-	279,468		
and executive	**2017**	383,050	-	27,482	142,588	553,120		

(i) Appointed 5 February 2018
(ii) Resigned 5 February 2018
(iii) Resigned 1 November 2017
(iv) Appointed 7 March 2018
(v) Appointed 7 September 2017
(vi) Resigned 10 Oct 2016
(vii) Resigned 7 June 2017

SHARE-BASED COMPENSATION

There were no share-based remuneration transactions during the year.

USE OF REMUNERATION CONSULTANTS

During the year, the Group did not use any remuneration consultants.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2017 ANNUAL GENERAL MEETING

Hylea Metals Ltd received 100% of "yes" votes on its remuneration report for the 2017 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

OPTIONS HOLDINGS OF KEY MANAGEMENT PERSONNEL

2018	Held at 1 July 2017	Granted as compensation	Exercised	Other changes	Held at date of resignation	Held at 30 June 2018	Vested during the year	Vested and exercisable at 30 June 2018
Mr D Berrie (i)								
Mr J Chen (ii)	-	-	-	-	-	-	-	-
Mr G Xu (iii)	5,000,000	-	-	-	(5,000,000)	-	-	5,000,000
Mr M Milazzo (iv)	-	-	-	-	-	-	-	-
Mr K Chan	5,000,000	-	-	-	-	5,000,000	-	5,000,000
Mr T Kestell (v)	-	-	-	-	-	-	-	-

(i) *Appointed 5 February 2018*
(ii) *Resigned 1 November 2017*
(iii) *Resigned 5 February 2018*
(iv) *Appointed 7 March 2018*
(v) *Appointed 7 September 2017*

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

2018	Held at 1 July 2017	Held at date of appointment	Purchases	Received on exercise of options	Other changes	Held at date of resignation	Held at 30 June 2018
Mr D Berrie (i)	-	-	3,000,000	-	-	-	3,000,000
Mr J Chen (ii)	-	-	-	-	-	-	-
Mr G Xu (iii)	27,940,107	-	26,646,613	-	-	(54,586,720)	-
Mr M Milazzo (iv)	-	-	-	-	-	-	-
Mr K Chan	-	-	-	-	-	-	-
Mr T Kestell (v)	-	-	-	-	-	-	-

(i) *Appointed 5 February 2018*
(ii) *Resigned 1 November 2017*
(iii) *Resigned 5 February 2018*
(iv) *Appointed 7 March 2018*
(v) *Appointed 7 September 2017*

Other key management personnel transactions with the Group

The Company received $35,231 from Superior Lake Resources Ltd as accounting charges and rent sub-leased office premises, a company in which Mr Keong Chan is a director.

On 5 February 2018, the Company granted 200 million options exercisable at $0.01 per share expiring on 2 February 2020 to Neon Capital Ltd in consideration for underwriting the placement and entitlement issue during the year, with a total fair value of $789,762 recognised as share issue costs in equity. Tim Kestell is a director of Neon Capital Ltd.

There were no other related party transactions with key management personnel during the year.

Amounts owed to related parties

As at the reporting date, $3,000 was owing to Milazzo Management Pty Ltd relating to accrued director's fees for KMP, Mark Milazzo.

Remuneration commitments

There were no other key management personnel transactions other than disclosed above.

Additional Information

The earnings of the Group for the five years to 30 June 2018 are summarised below:

	2018	2017	2016	2015	2014
	$	$	$	$	$
Sales revenue	Nil	Nil	Nil	Nil	Nil
EBITDA	(2,149,968)	(1,858,796)	(6,847,799)	(11,600,310)	(813,828)
EBIT	(2,171,217)	(1,885,394)	(6,873,784)	(11,626,307)	(829,825)
Loss after Income Tax	(2,171,217)	(1,873,559)	(6,873,784)	(11,626,307)	(829,825)

The factors that are considered to affect total shareholders return are summarised below:

	2018	2017	2016	2015	2014
Dividends paid	Nil	Nil	Nil	Nil	Nil
Share price at end of the year	0.7 cents	0.5 cents	0.3 cents	0.7 cents	8 cents
Basis loss per share	0.14 cents	0.90 cents	3.33 cents	5.63 cents	0.40 cents

[This is the end of the audited remuneration report.]

The Board and management of Hylea Metals Limited (**Hylea Metals** or the **Company**) recognise their duties and obligations to shareholders and other stakeholders to implement and maintain a robust system of corporate governance. The Company believes that the adoption of good corporate governance adds value to stakeholders and enhances investor confidence.

The Company acknowledges the ASXCGC Principles and Recommendations (ASXCGP) have been revised under Edition 3 and notes that as this Report outlines the Company's corporate governance framework in place for the year ended 30 June 2017, it is reporting against Edition 2. The Company is currently in the process of reviewing its corporate governance framework in light of Edition 3 additions and modifications.

The Company's corporate governance policies are available on the Company's website: www.hyleametals.com.au.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board Charter

The Board is accountable to shareholders for the performance of the Company. The Board operates under a Board Charter that details its functions, responsibilities and powers and those delegated to management.

On appointment, non-executive directors receive formal letters of appointment setting out the terms and conditions of appointment. The formal letter of appointment covers the matters referred to in the guidance and commentary for Recommendation 1.1. Executive directors are employed pursuant to employment agreements.

Evaluation of the performance of senior executives

The performance of senior executives is evaluated in accordance with the Performance Evaluation Process. A performance evaluation for senior executives has taken place in the reporting period and was carried out in accordance with the process disclosed.

The Board Charter and Performance Evaluation Process are available on the Hylea Metals website.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Composition of the Board

The Board currently consists of a managing director and three non-executive directors. Details of their skills, experience and expertise and the period of office held by each director have been included in the Directors' Report. The number of board meetings and the attendance of the directors are set out in the Directors' Report.

There is no Chairman of the Board. The Board considers that this composition is appropriate given the current size of the Company. The Board Charter summarises the roles and responsibilities of the Managing Director, Mr Berrie.

Independence of non-executive directors and the Chairman of the Board

The Board has assessed the independence of the non-executive directors and the Chairman using defined criteria of independence and materiality consistent with the guidance and commentary for Recommendation 2.1.

The Board are assessed to be independent directors.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three members and is chaired by Mr Chan (from 1 January 2016).

The Nomination and Remuneration Committee Charter sets out its role, responsibilities and membership requirements. The Charter reflects the matters set out in the commentary and guidance for Recommendation 2.4.

For information on the skills, experience and expertise of the Nomination and Remuneration Committee members, refer to the Directors' Report.

Details of the members and their attendance at meetings of the Nomination and Remuneration Committee are included in the Directors' Report.

In accordance with Recommendation 2.4 the Nomination and Remuneration Committee consist of a majority of independent directors.

Board renewal and succession planning

The appointment of directors is governed by the Company's Constitution and the Appointment and Selection of New Directors policy. In accordance with the Constitution of the Company, no director except a managing director shall hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election.

The Company has not adopted a policy in relation to the retirement or tenure of directors.

The appointment of the company secretary is a matter for the Board. Information on the skills, experience and qualifications of the company secretary can be found in the Directors' Report.

Evaluation of the performance of the Board, its committees and individual directors

The performance of the Board, its committees and individual directors are evaluated in accordance with the Performance Evaluation Process. Performance evaluations of the Board, the Nomination and Remuneration Committee and individual directors have taken place in the reporting period and were carried out in accordance with the process disclosed.

Induction and education

When appointed to the Board, a new director will receive an induction appropriate to their experience. Directors may participate in continuing education to update and enhance their skills and knowledge from time to time, as considered appropriate.

Access to information and advice

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. The Board also has a policy under which individual directors and Board committees may obtain independent professional advice at the Company's expense in relation to the execution of their duties, after consultation with the Chairman.

The Company's Constitution, Nomination and Remuneration Committee Charter and the policy for Appointment and Selection of New Directors are available on the Hylea Metals website.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

The Code of Conduct applies to all directors and officers of the Company. It sets out Hylea Metals's commitment to successfully conducting the business in accordance with all applicable laws and regulations while demonstrating and promoting the highest ethical standards. The Code of Conduct reflects the matters set out in the commentary and guidance for Recommendation 3.1.

Diversity Policy

The Board has adopted a Diversity Policy which sets out the Company's aims and practices in relation to recognising and respecting diversity in employment. The Policy reinforces the Company's commitment to actively managing diversity as a means of enhancing the Company's performance by recognising and utilising the contributions of diverse skills and talent from its employees.
The Diversity Policy reflects the matters set out in the commentary and guidance for Recommendation 3.2.

Gender Diversity

The Board is responsible for establishing and monitoring on an annual basis the achievement against gender diversity objectives and strategies, including the representation of women at all levels of the organisation.

The proportion of women within the whole organisation as at the date of this report is as follows:

	%
Women employees in the whole organisation	66%
Women in Senior Executive positions	0%
Women on the Board of Directors	0%

The Board acknowledges the absence of female participation on the Board of Directors. However, as noted above, the Board has determined that the composition of the current Board represents the best mix of Directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management.

The Company is at variance with Recommendation 3.3 in that it has not set or disclosed measurable objectives for achieving gender diversity in accordance with its Diversity Policy. Due to the size of the Company, the Board does not deem it practical to limit the Company to specific targets for gender diversity as it operates in a very competitive labour market where positions are sometimes difficult to fill. However, every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

The Code of Conduct and Diversity Policy are available on the Hylea Metals website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit and Risk Committee

There is no Audit and Risk committee, the related duties are discharged by the Board. The Board considers that this composition is appropriate given the current size of the Company. The Board considers it is of a sufficient size and possesses sufficient technical expertise to discharge its mandate effectively.

External auditor

The Board reviews the external auditor's terms of engagement and audit plan, and assesses the independence of the external auditor. The current practice, subject to amendment in the event of legislative change, is for the rotation of the engagement partner to occur every five years.

The Company's independent external auditor is RSM Australia Partners (RSM). The appointment of RSM was ratified by members at the Annual General Meeting held on 26 November 2015.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Continuous Disclosure Policy sets out the key obligations of the directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements for monitoring compliance.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

The Continuous Disclosure Policy is available on the Hylea Metals website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Shareholder Communications Policy sets out the Company's aims and practices in respect of communicating with both current and prospective shareholders. The Policy reinforces the Company's commitment to promoting investor confidence by requiring:

- compliance with the continuous disclosure obligations;
- compliance with insider trading laws;
- compliance with financial reporting obligations;
- compliance with shareholder meeting requirements, including the provision of an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and auditor of the Company;
- communication with shareholders in a clear, regular, timely and transparent manner; and
- response to shareholder queries in a prompt and courteous manner.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 6.1.

The Shareholder Communications Policy is available on the Hylea Metals website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk Management Policy

Hylea Metals recognises that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company. As a result, the Board has adopted a Risk Management Policy which sets out the Company's system of risk oversight, management of material business risks and internal control.

Risk oversight

Hylea Metals's risk management framework is supported by the Board of Directors and the management. The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Board also has, where required, delegated responsibilities in relation to risk management and the financial reporting process.

Reporting and assurance

When reviewing the financial reports, the Board receives a written statement declaration in accordance with section 295A of the *Corporations Act*, signed by the Managing Director and Chief Financial Officer, that the Company's financial reports give a true and fair view, in all material respects with, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

Similarly, in a separate written statement the Managing Director also confirms to the Board that the Company's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

The Risk Management Policy is available on the Hylea Metals website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Nomination and Remuneration Committee

The Nomination and Remuneration Committee has delegated responsibilities in relation to the Company's remuneration policies as set out in the Nomination and Remuneration Committee Charter. The Charter reflects the matters set out in the commentary and guidance for Recommendation 8.1. Further detail regarding the Nomination and Remuneration Committee can be found above at Principle 2: Structure the board to add value.

Non-executive directors' remuneration policy

The structure of non-executive directors' remuneration is clearly distinguished from that of executives. Remuneration for non-executive directors is fixed. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2007 General Meeting, is not to exceed $500,000 per annum.

There is currently no performance related compensation for non-executive directors in place.

Neither the non-executive directors nor the executives of the Company receive any retirement benefits, other than superannuation.

Executive directors' remuneration policy

As noted previously, executive directors are employed pursuant to employment agreements. Summaries of these employment agreements are set out in the Remuneration Report.

Further details regarding the remuneration arrangements of the Company are set out in the Remuneration Report.

The checklist below summarises the Company's compliance with the Recommendations.

	Requirement	Comply Yes/ No	Reference/ Explanation
Pr 1	**Lay solid foundations for management and oversight**		
Rec 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose the functions.	Yes	Website & Page 27
Rec 1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Website & Page 27
Rec 1.3	Companies should provide the information indicated in the Guide to reporting to Principle 1.	Yes	Website & Page 27
Pr 2	**Structure the board to add value**		
Rec 2.1	A majority of the board should be independent directors.	Yes	Website & Page 27
Rec 2.2	The chairman should be an independent director.	Yes	Website & Page 27
Rec 2.3	The roles of chairman and chief executive officer should not be exercised by the same individual.	Yes	Website & Page 27
Rec 2.4	The board should establish a nomination committee.	Yes	Website & Page 27
Rec 2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Website & Page 27
Rec 2.6	Companies should provide the information indicated in the Guide to reporting to Principle 2.	Yes	Website & Page 27

	Requirement	Comply Yes/ No	Reference/ Explanation
Pr 3	**Promote ethical and responsible decision making**		
Rec 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: ▪ the practices necessary to maintain confidence in the company's integrity; ▪ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and ▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website & Page 28
Rec 3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	Yes	Website & Page 28
Rec 3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the Diversity Policy and progress towards achieving them.	No	Website & Page 28
Rec 3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes	Website & Page 28
Rec 3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Website & Page 28
Pr 4	**Safeguard integrity in financial reporting**		
Rec 4.1	The board should establish an audit committee.	No	Website & Page 29
Rec 4.2	The audit committee should be structured so that it: ▪ consists only of non-executive directors; ▪ consists of a majority of independent directors; ▪ is chaired by an independent chair, who is not the chair of the board; and ▪ has at least three members.	 No No No No	Website & Page 29
Rec 4.3	The audit committee should have a formal charter.	No	Website & Page 29
Rec 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Website & Page 29
Pr 5	**Make timely and balanced disclosure**		
Rec 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	Yes	Website & Page 30
Rec 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Website & Page 30
Pr 6	**Respect the rights of shareholders**		
Rec 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website & Page 30
Rec 6.2	Company should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Website & Page 30

	Requirement	Comply Yes/ No	Reference/ Explanation
Pr 7	**Recognise and manage risk**		
Rec 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Website & Page 30
Rec 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Website & Page 30
Rec 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Website & Page 30
Rec 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Website & Page 30
Pr 8	**Remunerate fairly and responsibly**		
Rec 8.1	The board should establish a remuneration committee.	Yes	Website & Page 31
Rec 8.2	The remuneration committee should be structured so that it: ▪ consists of a majority of independent directors; ▪ is chaired by an independent chair; and ▪ has at least three members.	Yes	Website & Page 31
Rec 8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Website & Page 31
Rec 8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Website & Page 31

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Revenue from continuing operations	3	25,677	11,835
Other income	3	190,101	16,423
Corporate and administrative expenses	3	(904,613)	(1,096,725)
Exploration and evaluation salary and general expenses		(684,811)	(805,239)
Exploration and evaluation assets written off	9	(797,571)	(3,200,000)
Loss before income tax		**(2,171,217)**	**(5,073,706)**
Income tax expense	5	-	-
Loss after income tax		**(2,171,217)**	**(5,073,706)**
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to owners of Hylea Metals Ltd		**(2,171,217)**	**(5,073,706)**
Loss per share for the year attributable to the owners of Hylea Metals Ltd			
Basic and diluted loss per share (cents)	16	(0.14)	(0.90)

The statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
CURRENT ASSETS			
Cash and cash equivalents	6	1,081,231	2,226,174
Trade and other receivables	7	102,130	82,489
Total Current Assets		**1,183,361**	**2,308,663**
NON CURRENT ASSETS			
Plant and equipment	8	4,721	26,214
Exploration and evaluation assets	9	11,553,758	785,745
Total Non Current Assets		**11,558,479**	**811,959**
TOTAL ASSETS		**12,741,840**	**3,120,622**
CURRENT LIABILITIES			
Trade and other payables	10	379,323	19,122
Total Current Liabilities		**379,323**	**19,122**
TOTAL LIABILITIES		**379,323**	**19,122**
NET ASSETS		**12,362,517**	**3,101,500**
EQUITY			
Contributed equity	11	43,790,848	33,148,376
Reserves	12	1,064,439	274,677
Accumulated losses	13	(32,492,770)	(30,321,553)
TOTAL EQUITY		**12,362,517**	**3,101,500**

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

Hylea Metals ASX: HCO LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

Consolidated 2018	Contributed Equity	Share Based Payment Reserve	Option Premium Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$
Balance at 1 July 2017	**33,148,376**	**46,040**	**228,637**	**(30,321,553)**	**3,101,500**
Other Comprehensive Income and losses for the year					
Loss for the year	-	-	-	(2,171,217)	(2,171,217)
Total comprehensive loss for the year	-	-	-	(2,171,217)	(2,171,217)
Transactions with equity holders in their capacity as equity holders	**10,642,472**	**-**	**789,762**	**-**	**11,432,234**
Balance at 30 June 2018	**43,790,848**	**46,040**	**1,018,399**	**(32,492,770)**	**12,362,517**

Consolidated 2017	Contributed Equity	Share Based Payment Reserve	Option Premium Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$
Balance at 1 July 2016	**25,728,920**	**46,040**	**47,460**	**(25,247,847)**	**574,573**
Other Comprehensive Income and losses for the year					
Loss for the year	-	-	-	(5,073,706)	(5,073,706)
Total comprehensive loss for the year	-	-	-	(5,073,706)	(5,073,706)
Transactions with equity holders in their capacity as equity holders	**7,419,456**	**-**	**181,177**	**-**	**7,600,633**
Balance at 30 June 2017	**33,148,376**	**46,040**	**228,637**	**(30,321,553)**	**3,101,500**

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

STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Cash flows from operating activities			
Interest received		25,649	14,037
Payments to suppliers and employees		(755,341)	(1,912,490)
Net cash outflow from operating activities	19	(729,692)	(1,898,453)
Cash flows from investing activities			
Payments for plant and equipment		-	(9,112)
Payments for exploration expenditure – acquisition costs		(4,000,000)	(100,000)
Payments for exploration expenditure – capitalised costs		(565,584)	(148,703)
Proceeds from sales of plant and equipment		5,600	-
Proceeds from sales of prospects		150,000	-
Net cash outflow from investing activities		(4,409,984)	(257,815)
Cash flows from financing activities			
Proceeds from issue of shares		4,013,783	4,233,932
Share issue transaction costs		(19,050)	(114,475)
Net cash inflow from investing activities		3,994,733	4,119,457
Net (decrease)/increase in cash held		**(1,144,943)**	**1,963,189**
Cash and cash equivalents at the beginning of the financial year	6	2,226,174	262,985
Effect of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year	6	**1,081,231**	**2,226,174**

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the financial statements and notes of Hylea Metals Limited and controlled entities ("Consolidated Entity" or the "Group"). The separate financial statements and notes of Hylea Metals Limited as an individual parent entity ("Company") have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial report was authorised for issue on 28 September 2018 by the Directors of the Company.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

The financial report covers Hylea Metals Limited and its subsidiaries, and has been prepared in Australian dollars. Hylea Metals Limited is a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in Note 23.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hylea Metals Limited as at 30 June 2018 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when they are exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of financial position and statement of changes in equity. Losses incurred by the Consolidated Entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Company loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Company recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are outlined below:

Share based payments
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using an appropriate valuation model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Exploration expenditure
Exploration and evaluation costs have been capitalised on the basis that the Group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Summary of Significant Accounting Policies

Foreign currency

Functional and presentation currency

Both the functional and presentation currency of Hylea Metals Ltd is Australian Dollars ($).

Foreign currency transactions and balances

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make

Segment reporting (cont'd)

decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Board of Directors.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost less any impairment losses recognised. Collectability of trade receivables is reviewed on an ongoing basis. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due.

Revenue recognition

Revenue represents interest received and reimbursements of exploration expenditures. Interest income is recognised as it accrues.

Interest
Interest revenue is recognised as interest accrues using the effective interest method.

Earnings per share

Basic earnings per share
Basic earnings per share are calculated by dividing:

- The profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share
Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Financial instruments (cont'd)

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits greater than 3 months are classified as held to maturity investments and valued at amortised costs.

Share capital

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Exploration and evaluation expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs are determined on the basis that the restoration will be completed within one year of abandoning the site.

Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation

Plant and equipment (cont'd)

Items of plant and equipment are depreciated using the diminishing value method over their estimated useful lives of each part of an item of plant and equipment. The depreciation rates used for each class of asset for the current period are as follows:

- Plant and Equipment 33%
- Fixtures and Fittings 25%
- Motor Vehicles 25%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Non-financial assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

(a) except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Income tax (cont'd)

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

(a) except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Hylea Metals Ltd has unused tax losses. However, no deferred tax balances have been recognised, as it is considered that asset recognition criteria have not been met at this time.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (**GST**), except where the amount of GST incurred is not recoverable from the Australian Tax Office (**ATO**). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Trade and other payables

Liabilities are initially recognised at fair value and subsequently measured at cost for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade accounts payable are normally settled within 60 days.

Loans and borrowings

Loans are recognised at their principal amount, subject to set-off arrangements. Borrowing costs are recognised as an expense when incurred.

Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity

Share-based payment transactions

Equity-settled and cash-settled share-based compensation benefits are provided to Key Management Personnel and employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying an appropriate valuation model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- During the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- From the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Current and Non-Current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current

Asset Acquisition not constituting a Business

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for the deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

New standards and interpretations not yet mandatory or early adopted

The Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group are set out below.

AASB 9 Financial Instructions and its consequential amendments

This standard is applicable to annual report periods beginning on or after 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. The Group will adopt this standard and the amendments from 1 July 2018. It is not expected for the application of the new standard to have a significant impact on the Group's financial statements.

New accounting standards and interpretations (cont'd)

AASB 15 Revenue from Contracts with Customers
The AASB has issued this new standard for the recognition of revenue. This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. It is not expected for the application of the new standard to have a significant impact on the Group's financial statements.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019 but there is no material impact to the Group.

2. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. There has been no change from prior year in relation to all of the exposures. Further quantitative disclosures are included in Note 14.

The Group's risk management framework is supported by the Board and management. The Board is responsible for approving and reviewing the Group's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Board is responsible for identifying, monitoring and managing significant business risks faced by the Group and considering the effectiveness of its internal control system.
The Board has established an overall Risk Management Policy which sets out the Group's system of risk oversight, management of material business risks and internal control.

2. FINANCIAL RISK MANAGEMENT (cont'd)

Financial risk management objectives

The overall financial risk management strategy focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on financial performance and protect future financial security.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents. For the Company, it arises from receivables due from subsidiaries.

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

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board has determined an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and commodity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

Foreign currency risk

The Group is not materially exposed to foreign currency risk.

Interest rate risk

The Group's exposure to interest rates primarily relates to the Group's cash and cash equivalents and held to maturity investments. The Group manages market risk by monitoring levels of exposure to interest rate risk and assessing market forecasts for interest rates.

Other market price risk

The Group is involved in the exploration and development of mining tenements for minerals. Should the Group successfully progress to a producer, revenues associated with mineral sales, and the ability to raise funds through equity and debt, will have some dependence upon commodity prices.

Fair value measurements

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flows. The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

3. REVENUE, INCOME AND EXPENSES	Consolidated 2018 $	Consolidated 2017 $
(a) Revenue		
Interest income	25,677	11,835
(b) Other income		
Sale of prospects	150,000	-
Other	40,101	16,423
	190,101	16,423
(c) Employee benefits expense		
Wages and salaries	189,952	28,258
Superannuation	18,273	17,915
Other employee benefits expense	-	6,860
	208,225	53,033
(d) Depreciation included in statement of profit or loss and other comprehensive income		
Office Plant & Equipment	3,202	1,214
Motor vehicles	18,047	25,384
	21,249	26,598
(e) Minimum lease payment		
Rent and outgoings	69,170	77,144
	69,170	77,144

4. AUDITOR'S REMUNERATION

The following amounts were paid or payable for services provided by the auditors of the Group and its related practices.

Audit services:		
RSM Australia Partners		
- audit and review of financial reports	28,500	20,500
	28,500	20,500

5. TAXATION

(a) Income tax expense	-	-
(b) Numerical reconciliation between tax expense and pre-tax net loss		
Loss before income tax expense	(2,171,217)	(5,073,706)
Income tax benefit calculated at rates noted in (d) below	(651,365)	(1,395,269)
Tax effect on amounts which are not tax deductible:		
Section 40-880 deduction	-	-
Non-deductible expenses	239,466	881,529
Deferred tax asset not brought to account	411,899	513,740
Income tax expense	-	-

5. TAXATION (CONT'D)

	Consolidated 2018 $	Consolidated 2017 $
(c) Deferred tax assets not brought to account		
Unused tax losses	8,499,858	7,704,258
Timing differences	5,500	3,575
Capital raising costs in equity	-	-
Exploration expenditure	(3,466,127)	(216,080)
Deferred tax assets not brought to account	5,039,231	7,491,753

(d) Tax Rates

The potential tax benefit in respect of tax losses not brought into account has been calculated at 30% (2017: 27.5%).

6. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	966,143	2,111,086
Term deposits	115,088	115,088
	1,081,231	2,226,174

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 14.

7. TRADE AND OTHER RECEIVABLES

Sundry receivables	102,130	82,489
	102,130	82,489

The Group's exposure to credit risk related to trade and other receivables is disclosed in Note 14.

As at 30 June 2018, trade and other receivables do not contain impaired assets and are not past due.

Due to their short-term nature, the carrying amounts of trade and other receivables is assumed to approximate their fair value.

8. PLANT AND EQUIPMENT	Furniture & Fixtures	Plant & Equipment	Motor Vehicles	Total $
At 30 June 2018 (Consolidated)				
Cost	75,123	9,354	127,536	212,013
Accumulated depreciation	(70,402)	(9,354)	(127,536)	(207,292)
Net carrying amount	4,721	-	-	4,721
Year ended 30 June 2018 (Consolidated)				
At 1 July 2017, net of accumulated depreciation	7,923	-	18,291	26,214
Additions	-	-	-	-
Disposals	-	-	(244)	(244)
Depreciation charge for the year	(3,202)	-	(18,047)	(21,249)
At 30 June 2018, net of accumulated depreciation	4,721	-	-	4,721
At 30 June 2017 (Consolidated)				
Cost	73,579	9,354	127,536	210,469
Accumulated depreciation	(65,656)	(9,354)	(109,245)	(184,255)
Net carrying amount	7,923	-	18,291	26,214
Year ended 30 June 2017 (Consolidated)				
At 1 July 2016, net of accumulated depreciation	1,716	-	43,675	45,391
Additions	9,112	-	-	9,112
Disposals	(1,691)	-	-	(1,691)
Depreciation charge for the year	(1,214)	-	(25,384)	(26,598)
At 30 June 2017, net of accumulated depreciation	7,923	-	18,291	26,214

9. EXPLORATION AND EVALUATION ASSETS	Consolidated 2018 $	Consolidated 2017 $
Exploration, evaluation and development expenditure carried forward in respect of areas of interest (net of amounts written off)	11,553,758	785,745
Reconciliation		
Carrying amount at the beginning of the year	785,745	437,042
Exploration and evaluation expenditure	565,584	3,548,703
Assets acquired	11,000,000	-
Capitalised expenditure written off (i)	(797,571)(i)	(3,200,000)(ii)
Carrying amount at the end of the year	11,553,758	785,745

The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas. Exploration and evaluation expenditure immediately expensed in profit or loss for the financial year amounted to $684,811 (2017: $805,239).

(i) The basis for write off is due to management's assessment that the carrying value of the project has been deemed unrecoverable.

(ii) The basis for impairment is that the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.

10. TRADE AND OTHER PAYABLES	Consolidated 2018 $	Consolidated 2017 $
Trade creditors	319,423	5,417
Other creditors and accruals	59,900	13,705
	379,323	19,122

The Group's exposure to credit and liquidity risks related to trade and other payables are disclosed in Note 14.

Due to their short-term nature, the carrying amounts of trade and other payables is assumed to approximate their fair value

11. CONTRIBUTED EQUITY	Consolidated 2018 $	Consolidated 2017 $
Fully paid ordinary shares	43,790,848	33,148,376

	2018 Number of Shares	2017 Number of Shares	2018 $	2017 $
Movements during the year:				
Opening balance	737,927,748	206,426,374	33,148,376	25,728,920
Shares issued via placement of shares	1,003,445,811	381,501,374	4,013,783	4,233,932
Shares issued for acquisition of Hylea Project (ii)	1,000,000,000	-	7,000,000	-
Shares issued for acquisition of Tabac Project (i)	-	150,000,000	-	3,300,000
Introduction shares (iii)	62,500,000	-	437,500	
Share issue costs	-	-	(808,811)	(114,476)
Closing balance	2,803,873,559	737,927,748	43,790,848	33,148,376

(i) This is as part consideration for the purchase of the Tabac project which shares were valued at $0.022 per share at acquisition date.
(ii) This is as part consideration for the purchase of the Hylea project which shares were valued at $0.007 per share at acquisition date.
(iii) This is the issue of shares as consideration for the introduction of the acquisition of the Hylea Project and were valued at $0.007 at acquisition date.

Ordinary shares entitle the holder to participate in dividends and the proceeds from winding up of the Company in proportion to the number and amounts paid on the shares held.

On a show of hands every holder of ordinary securities present at a shareholder meeting in person or by proxy is, entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

12. RESERVES	No.	Consolidated 2018 $	No.	Consolidated 2017 $
Share based payments reserve				
Balance at beginning of the year	-	46,040	-	46,040
Share based payments	-	-	-	-
Balance at end of the year	-	46,040	-	46,040
Option premium reserve				
Balance at beginning of the year	15,000,000	228,637	-	47,460
Options issued*	200,000,000	789,762	-	-
Options issued**	-	-	25,000,000	181,177
Options expired [(1)]	-	-	(10,000,000)	-
Balance at end of the year	215,000,000	1,018,399	15,000,000	228,637
TOTAL RESERVES	215,000,000	1,064,439	15,000,000	274,677

[(1)] Options expired on resignation of the director, Jonathan King on 7 June 2017

	2018 $	2017 $
Weighted average exercise price of outstanding options (Cents)	1.14	3.00
Weighted average remaining life of outstanding options (Years)	1.6	1.5

**The Company issued a total of 25 million incentive options with a total fair value of $181,177 recognised as share based payment expense. All options were granted over unissued fully paid ordinary shares in the company.

*On 5 February 2018, the Company granted 200 million options exercisable at $0.01 per share expiring on 2 February 2020 to Neon Capital Ltd in consideration for underwriting the placement and entitlement issue during the year, with a total fair value of $789,762 recognised as share issue costs in equity.

All options were granted over unissued fully paid ordinary shares in the Company.

Details of the options issued are as shown below.

Grant Date	Number of Options	Exercisable Date	Expiry Date	Exercise Price
5 February 2018	200,000,000	5 February 2018	2 February 2020	$0.01

The Black-Scholes Model was used to determine the estimated fair value of options granted during the year ended 30 June 2018. The following assumptions were used:

No. of options	200,000,000
Grant Date	5 February 2018
Expiry Date	2 February 2020
Share price at grant ($)	0.007
Exercise Price ($)	0.01
Expected volatility (%)	125
Risk-free interest rate (%)	2.53
Option life (years)	2.00
Option value per option ($)	0.0039

12. RESERVES (CONT'D)

Performance shares

In the prior year, on 7 December 2016, the completion date, the Company completed the acquisition of the Tabac project. As part of the purchase consideration, 62,500,000 performance shares were issued to the shareholders of Westview Resources Pty Ltd. The performance shares were valued at nil as the probability of performance hurdles being met was assessed as less than probable as of acquisition date, as of 30 June 2017 and as of 30 June 2018.

Details of performance shares and performance hurdles

(i) Class A - 31,250,000 performance shares: the achievement of an Inferred Mineral Resource in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) (JORC Code) (including cumulative production) of not less than 50,000 tonnes contained Cobalt at a minimum grade of 0.3% Cobalt within the Tenements; and

(ii) Class B - 31,250,000 performance shares: the achievement of an Inferred Mineral Resource in accordance with the JORC Code (including cumulative production) of not less than 100,000 tonnes contained Cobalt at a minimum grade of 0.3% Cobalt within the Tenements.

Share- based payments reserve

This reserve is used to record the value of equity-settled share-based payments provided to employees and directors as part of their remuneration.

Option premium reserve

This reserve comprises of monies raised from issue of 47,460,245 options at $0.001 per option during the share and option entitlement issue in February 2011, 25 million incentive options in the prior year and 200 million options issued during the year.

Option expired

No options expired during or since the end of the year.

13. ACCUMULATED LOSSES

Accumulated losses at the beginning of the year	(30,321,553)	(25,247,847)
Loss for the year	(2,171,217)	(5,073,706)
Accumulated losses at the end of the year	(32,492,770)	(30,321,553)

14. FINANCIAL INSTRUMENTS

For financial risk exposure and management objectives please refer to note 2.

Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure.
The Group's maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	Consolidated 2018 $	**Consolidated 2017 $**
Cash and cash equivalents	1,081,231	2,226,174
Trade and other receivables	102,130	82,489
	1,183,361	2,308,663

The credit quality is assessed and monitored as follows:

	Equivalent S&P Rating[1]		**Internally Rated[2]**	
Credit quality of financial assets	**AA- and above**	**BBB and Below**	**No Default**	**Total**
At 30 June 2018				
Cash and cash equivalents	1,081,231	-	-	1,081,231
Trade and other receivables – current	-	-	102,130	102,130
	1,081,231	-	102,130	1,183,361
At 30 June 2017				
Cash and cash equivalents	2,226,174	-	-	2,226,174
Trade and other receivables – current	-	-	82,489	82,489
	2,226,174	-	82,489	2,308,663

1. The equivalent S&P rating of the financial assets represents that rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.
2. Trade and other receivables consist of security bonds and deposits.

Allowance for impairment loss

A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

Balance within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

14. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

Liquidity risk

The following are the contractual maturities of financial liabilities on an undiscounted basis, including estimated interest payments. Cash flows for assets and liabilities without fixed amount or timing are based on conditions existing at year end.

Consolidated 30 June 2018	Carrying amount	Contractual cash flows	1 year	2-5 years	>5 years
Financial Liabilities					
Trade and other payables	379,323	(379,323)	(379,323)	-	-
	379,323	(379,323)	(379,323)	-	-

Consolidated 30 June 2017	Carrying amount	Contractual cash flows	1 year	2-5 years	>5 years
Financial Liabilities					
Trade and other payables	19,122	(19,122)	(19,122)	-	-
	19,122	(19,122)	(19,122)	-	-

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	Carrying Amount Consolidated 2018 $	Consolidated 2017 $
Variable rate instruments		
Financial assets	1,081,231	2,226,174
Financial liabilities	-	-
	1,081,231	2,226,174

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. The Board assessed a 100 basis point movement as being reasonably possible based on short term historical movements. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2018.

Consolidated 2018	+100 basis points Profit $	Equity $	-100 basis points Profit $	Equity $
Financial instruments with interest rate				
Financial assets	10,812	10,812	(10,812)	(10,812)
Financial liabilities	-	-	-	-

Consolidated 2017	+100 basis points Profit $	Equity $	-100 basis points Profit $	Equity $
Financial instruments with interest rate				
Financial assets	22,262	22,262	(22,262)	(22,262)
Financial liabilities	-	-	-	-

14. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

The weighted average effective interest rate on variable rate instruments was 0.75% (2017: 0.64%).

15. COMMITMENTS

Operating lease commitment

The Company leases its office in West Perth, Western Australia.

Future minimum rentals payable under the non-cancellable operating lease as at 30 June are as follows:

	Consolidated 2018 $	Consolidated 2017 $
Not longer than 1 year	30,918	53,080
Longer than 1 year and not longer than 5 years	102,524	22,117
Longer than 5 years	-	-
	133,442	75,197

Exploration Project commitments

The Group has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Group's exploration program and priorities. These obligations are also subject to variations by negotiation, joint venturing or relinquishing some of the relevant tenements. The total exploration minimum expenditure commitments of the Group amounts to $272,000 per annum, these commitments are not reflected in the financial statements.

16. LOSS PER SHARE

		Consolidated 2018 $	Consolidated 2017 $
a.	Reconciliation of earnings to profit or loss:		
	Loss	(2,171,217)	(5,073,706)
	Loss used to calculate basic EPS	(2,171,217)	(5,073,706)
	Loss used in the calculation of dilutive EPS	(2,171,217)	(5,073,706)
		No.	No.
b.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	1,582,594,698	561,376,975
	Weighted average number of dilutive options outstanding	-	-
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	1,582,594,689	561,376,975

17. SEGMENT REPORTING

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

The operating segments are identified by the Board of Directors based on the phase of operation within the mining industry. For management purposes, the Group has organised its operations into two reportable segments on the basis of stage of development as follows:

- Development assets; and
- Exploration and evaluation assets, which includes assets that are associated with the determination and assessment of the existence of commercial economic reserves.

The Board of Directors as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

During the year ended 30 June 2018 and 2017, the Group had no development assets. The Board of Directors considers that it has only operated in one segment, being mineral exploration within Australia.

Where applicable, corporate costs, finance costs, interest revenue and foreign currency gains and losses are not allocated to segments as they are not considered part of the core operations of the segments and are managed on a Group basis.

The Group is domiciled in Australia. All revenue from external customers is generated from Australia only. Segment revenues are allocated based on the country in which the customer is located

Revenues of approximately Nil (2017: Nil) are derived from a single external customer.

18. RELATED PARTY DISCLOSURES

(a) Ultimate parent

Hylea Metals Ltd is the ultimate Australian entity.

(b) Subsidiaries

Interests in subsidiaries are set out in note 24.

(c) Key management personnel compensation

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2018 $	2017 $
Short-term employee benefits	266,153	383,050
Post-employment benefits	13,315	27,482
Share based payment	-	142,588
	279,468	553,120

(d) Loans to related parties

No loans were advanced to related parties during the reporting period.

(e) Amounts owed to related parties

As at the reporting date, $3,000 was owing to Milazzo Management Pty Ltd relating to accrued director's fees for KMP, Mark Milazzo (2017: $521 owed to Director, Mr Jie Chen, for director's fees).

(f) Other key management personnel transactions with the Group

The Company received $35,231 from Superior Lake Resources Ltd as accounting charges and rent sub-leased office premises, a company in which Mr Keong Chan is a director.

On 5 February 2018, the Company granted 200 million options exercisable at $0.01 per share expiring on 2 February 2020 to Neon Capital Ltd in consideration for underwriting the placement and entitlement issue during the year, with a total fair value of $789,762 recognised as share issue costs in equity. Tim Kestell is a director of Neon Capital Ltd.

There were no other related party transactions with key management personnel during the year.

19. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES

	Consolidated 2018 $	Consolidated 2017 $
Cash flows from operating activities		
Loss for the year	(2,171,217)	(5,073,706)
Adjustments for:		
Depreciation	21,249	26,598
Write off of fixed asset	-	1,691
Asset Impairment	797,571	-
Write off of exploration and evaluation asset	-	3,200,000
Share based expenditure	437,500	181,177
Profit from sale of assets	(155,356)	-
Operating loss before changes in working capital	(1,070,253)	(1,664,240)
Change in trade and other receivables	(19,641)	(71,880)
Change in trade and other payables	360,201	(172,247)
Change in prepayments	-	9,914
Net cash used in operating activities	(729,693)	(1,898,453)

20. SHARE-BASED PAYMENTS

The following share-based payment arrangements were entered into during the year ended 30 June 2018:

	$
Shares issued to advisors as consideration for introduction of acquisition (i)	437,500
Total share-based payments included in statement of profit or loss and other comprehensive income as exploration and evaluation salary and general expenses	437,500
Unlisted options issued to advisers in lieu of services (ii)	789,762
Total share-based payments included in statement of financial position as capital raising costs	789,762

(i) The fair value of the shares granted are estimated at the date of grant (5 February 2018) based on the market share price on grant date ($0.007).

(ii) The fair value of the options granted are estimated at the date of grant using the Black Scholes valuation model and based on the assumptions set out in note 12.

The following share-based payment arrangements were entered into during the year ended 30 June 2017:

	$
Options issued to directors as incentive options and advisers for introduction of the Tabac project	181,177
Total share-based payments included in statement of profit or loss and other comprehensive income as share-based payment expense in the corporate and administrative expenses	181,177

21. CONTINGENT LIABILITIES

Bank Guarantee

The Company has given bank guarantee of $20,000 (2016:$95,000) to landlord and department of mine and petroleum tenement bond.

Tabac Project

On 7 December 2016, the Company completed the acquisition of the Tabac project. As part of the purchase consideration, 62,500,000 performance shares were issued to the shareholders of Westview Resources Pty Ltd which shall convert to shares in the Company based on the achievement of the performance hurdles. It also assumed a contingent liability for royalty payable.

Performance shares

(i) Class A - 31,250,000 performance shares shall convert to shares in the Company based on the achievement of an Inferred Mineral Resource in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) (JORC Code) (including cumulative production) of not less than 50,000 tonnes contained Cobalt at a minimum grade of 0.3% Cobalt within the Tenements; and

(ii) Class B - 31,250,000 performance shares: shall convert to shares in the Company based on the achievement of an Inferred Mineral Resource in accordance with the JORC Code (including cumulative production) of not less than 100,000 tonnes contained Cobalt at a minimum grade of 0.3% Cobalt within the Tenements.

Royalty

2% net smelter return royalty is payable on the gross sales of all future metals obtained from the tenements acquired and sold on an arm's length basis.

21. CONTINGENT LIABILITIES (CONT'D)

Hylea Project

On 5 February 2018, the Company completed the acquisition of the Hylea project. As part of the purchase consideration, the Company assumed a contingent liability for royalty payable.

Royalty

1.5% net smelter return royalty is payable on the gross sales of all future metals obtained from the tenements acquired and sold on an arm's length basis.

22. ACQUISITION OF HYLEA PROJECT

On 5 February 2018, the completion date, Hylea Metals Limited completed the acquisition of Providence Metals Pty Ltd (Providence). The only asset held by Providence are the tenements relating to the Hylea Project. Upon completion of the acquisition, Hylea Metals;

- Issued to the shareholders of Providence 1,000,000,000 fully paid ordinary shares of Hylea Metals, valued at $0.007 cents at the acquisition date;
- Paid $4,000,000 as a cash payment; and
- Obtained a contingent liability for 1.5% net smelter return royalty on the gross sales of all future metals obtained from Tenements and sold on an arm's length basis.

Details of the purchase consideration and the net assets acquired are as follows:

	2018 **$**
Purchase consideration paid by Hylea Metals Limited to acquire Providence:	
Cash paid	4,000,000
Ordinary Shares *	7,000,000
Total purchase consideration	**11,000,000**

* The fair value of the shares issued are valued at the date of acquisition (5 February 2018) based on the market share price of $0.007.

The fair value of assets and liabilities recognised as a result of the acquisition are $11,000,000 and Nil, respectively.

	Fair value $
Exploration asset	11,000,000
Liabilities	-
Net assets acquired	11,000,000

23. PARENT ENTITY DISCLOSURES

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2018	**2017**
	$	**$**
Loss after income tax	(2,171,217)	(5,073,707)
Total comprehensive loss	(2,171,217)	(5,073,707)

Statement of financial position

	Parent	
	2018	**2017**
	$	**$**
Total current assets	1,183,361	2,245,414
Total assets	12,467,610	3,120,686
Total current liabilities	105,093	19,185
Total liabilities	105,093	19,185
Equity		
Issued capital	43,790,848	33,148,376
Reserves	1,064,439	274,677
Retained profits	(32,492,770)	(30,321,553)
Total equity	12,362,517	3,101,500

24. INTEREST IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principle place of business/ Country of incorporation	Ownership Interest	
		2018	2017
		%	%
Westview Resources Pty Ltd	Australia	100%	100%
Providence Metals Pty Ltd	Australia	100%	-

25. EVENTS OCCURING AFTER THE REPORTING DATE

There has been no events arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as stated in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Mr David Berrie
Managing Director

Dated at Perth, Western Australia this 28th day of September 2018.

RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
HYLEA METALS LIMITED

Opinion

We have audited the financial report of Hylea Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Carrying Value of Exploration and Evaluation Expenditure
Refer to Note 9 in the financial statements</td></tr>
<tr><td>The Group has capitalised exploration and evaluation expenditure with a carrying value of $11,553,758.

We considered this to be a key audit matter due to the significant management judgments involved in assessing the carrying value of the assets including:
Determination of whether the exploration and evaluation expenditure can be associated with finding specific mineral resources and the basis on which that expenditure is allocated to an area of interest;
Assessing whether any indicators of impairment are present; and
Assessing whether exploration activities have reached a stage at which the existence of economically recoverable reserves may be determined.</td><td>Our audit procedures in relation to the carrying value of exploration and evaluation expenditure included:
Ensuring that the right to tenure of the area of interest was current;
Agreeing a sample of additions to supporting documentation and ensuring the amounts are capital in nature and relate to the area of interest;
Enquiring with management and reviewing budgets to test that the entity will incur substantive expenditure for each area of interest;
Assessing and evaluating management's assessment that no indicators of impairment existed; and
Through discussions with the management and review of the Board Minutes, ASX announcements and other relevant documentation, assessing management's determination that exploration activities have not yet progressed to the stage where the existence or otherwise of economically recoverable reserves may be determined.</td></tr>
<tr><td colspan="2">Measurement and Recognition for Acquisition of Subsidiary
Refer to Note 22 in the financial statements</td></tr>
<tr><td>During the year, the Company acquired a 100% interest of Providence Metals Pty Ltd ('Providence') via cash consideration of $4,000,000 and the issue of 1,000,000,000 fully paid ordinary shares of the Company.

The accounting for this acquisition is considered to be a key audit matter because it involved the exercise of judgment in relation to:
Determining whether the transaction is a business combination or an asset acquisition, based on whether the definition of a business in AASB 3 Business Combinations was met;
Determining the fair value of the consideration paid; and
Determining the acquisition date.</td><td>Our audit procedures in relation to the acquisition of Providence Metals Pty Ltd included:
Reviewing the binding terms sheet to understand the transaction and the related accounting considerations;
Evaluating management's determination that the acquisition did not meet the definition of a business within AASB 3 Business Combinations and therefore was an asset acquisition as opposed to a business combination;
Assessing management's determination of the fair value of the consideration paid; and
Assessing the appropriateness of the disclosures in the financial report in respect of the acquisition.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report on pages 21 to 26 for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Hylea Metals Limited, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 28 September 2018

Additional information required by Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 13 September 2018.

(a) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

Rank	Name	Units	% of Units
1.	PROVIDENCE GOLD AND MINERALS PTY LTD <D GLOVER & B HARPER A/C>	1,000,000,000	35.66
2.	NEON CAPITAL LIMITED	420,000,000	14.98
3.	NEW AGE GROUP CO LIMITED	204,344,924	7.29
4.	BLUE CAPITAL LIMITED	139,144,400	4.96
5.	SIREN NOMINEES PTY LTD	66,000,000	2.35
6.	BUDWORTH CAPITAL PTY LTD <ROLLING HILLS CAPITAL A/C>	62,500,000	2.23
7.	ANSHANG INDUSTRY (HONG KONG) CO LIMITED	32,000,000	1.14
8.	J P MORGAN NOMINEES AUSTRALIA LIMITED	30,771,320	1.10
9.	DR SALIM CASSIM	26,500,000	0.95
10.	SPIDERCAT INVESTMENTS PTY LTD <TORNATORA INVESTMENT A/C>	25,894,385	0.92
11.	GREENSEA INVESTMENTS PTY LTD	25,000,000	0.89
12.	SINOGREEN GROUP PTY LTD	24,750,000	0.88
13.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,454,221	0.87
14.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	20,566,993	0.73
15.	MIDBRIDGE INVESTMENTS PTY LTD	14,384,266	0.51
16.	MR DAVID VIGOLO <VIGOLO FAMILY A/C>	12,500,000	0.45
17.	MR PAUL JAMES BYRNE	11,925,418	0.43
18.	CITICORP NOMINEES PTY LIMITED	10,809,763	0.39
19.	SILKTREE INVESTMENTS PTY LTD <PETER VASSILEFF S/F A/C>	10,000,000	0.36
20.	RENFENG ZHANG	10,000,000	0.36
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		**2,171,545,690**	**77.45**
Total Remaining Holders Balance		**632,327,869**	**22.55**

(b) Distribution of equity security holders

Analysis of numbers of equity security holders by size of holding:

Range	Total holders	Units	% of Issued Capital
1 - 1,000	32	4,829	0.00
1,001 - 5,000	16	42,059	0.00
5,001 - 10,000	427	4,251,033	0.15
10,001 - 100,000	358	20,113,923	0.72
100,001 - 9,999,999,999	703	2,779,461,715	99.13
Rounding			**0.00**
Total	**1,536**	**2,803,873,559**	**100.00**

(c) Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Name	Number of Shares	%
PROVIDENCE GOLD AND MINERALS PTY LTD <D GLOVER & B HARPER A/C>	1,000,000,000	35.66
NEON CAPITAL LIMITED	420,000,000	14.98

(d) Restricted Securities

There are no restricted securities as at 13 September 2018

(e) Unmarketable Parcels

There were 944 holders of less than a marketable parcel of ordinary shares.

(f) Voting Rights

The voting rights attaching to ordinary shares are:

On a show of hands, every member present in person or by proxy shall have one vote, and upon a poll, each share shall have one vote.

Options do not carry any voting rights.

(g) On Market Buy Back

There is no current on market buy-back.

(h) Interest in Mining Tenements

As at the date of this report, there is no change to the tenement schedule listed on page 16 of the review of operations.