



ABN 38 119 992 175

**INTERIM FINANCIAL REPORT FOR THE
HALF-YEAR**

31 DECEMBER 2018

HYLEA METALS LIMITED
ABN 38 119 992 175

Interim Financial Report - Half Year Ended 31 December 2018

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C O R P O R A T E D I R E C T O R Y

Directors	Mr Simon Andrew Mr Tim Kestell Mr Mark Milazzo	Managing Director Non-Executive Director Non-Executive Director
Company Secretary	Miss Amanda Burgess	
Registered Office	33 Yilgarn Street Shenton Park WA 6008 Telephone: +61 8 9278 2441	
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	
Securities Exchange	ASX Limited Exchange Plaza 2 The Esplanade Perth, Western Australia, 6000 ASX Code: HCO	

DIRECTORS' REPORT

The directors present their financial statements of Hylea Metals Limited ("Hylea") and its subsidiaries ("consolidated entity") for the six months ended 31 December 2018 and the auditor's review report thereon:

Directors

The directors of the Company at any time during or since the end of the half-year and until the date of this report are:

Name	Period of directorship
Mr Keong Chan <i>Non-Executive Director</i>	Director since 1 December 2015 (date of appointment) to 31 October 2018 (date of resignation)
Mr Tim Kestell <i>Non-Executive Director</i>	Director since 7 September 2017 (date of appointment)
Mr David Berrie <i>Managing Director</i>	Director since 5 February 2018 (date of appointment) to 31 December 2018 (date of resignation)
Mr Mark Milazzo <i>Non-Executive Director</i>	Director since 7 March 2018 (date of appointment)
Mr Simon Andrew <i>Managing Director</i>	Director since 2 January 2019 (date of appointment)

Review of Operations

Hylea Metals Limited (the "Company") is a Perth based exploration company which listed on the Australian Securities Exchange in February 2009 (ASX: HCO). Hylea's portfolio of tenements has numerous multi-commodity targets, including Fe, Mn, Au and U in Western Australia.

The Company's continued to explore it's main asset, The Hylea Cobalt Project which is situated in the Fifield District of NSW.

The Company spent the December Half Year evaluating the drill program and extensive soil sampling at our flagship asset, the Hylea Cobalt Project. The project represents a significant cobalt, platinum, nickel and scandium exploration project.

During the period our geological team continued to evaluate both the results from the drilling campaign at the Tiger's Creek prospect in addition to the soil sampling completed in the September Quarter (ASX Announcement 18th September 2018).

Soil sampling outlined multiple large-scale cobalt geochemical anomalies, semicoincident with nickel, platinum, scandium and vanadium. The anomalies are located over a 5km strike starting immediately adjacent to the Tiger's Creek prospect where previous drilling has returned a host of strong results. The evaluation of these results included preliminary planning for a drilling campaign to test these anomalies.

The cobalt price fell significantly over the course of calendar year 2018. It peaked at close to US\$45/lb in March 2018 but has now fallen to close to US\$14/lb. The declining cobalt price has made it more challenging to raise capital for additional exploration and therefore we have needed to balance the need to advance our project with our finite cash reserves.

The Company has reduced staff and costs in order to maximize the use of the current cash assets and minimize costs whilst the downturn in cobalt pricing persist. Board and Management continue to look at ways to raise the necessary working capital to advance the Hylea Cobalt Project.

For more details on the Company's activities over the half-year period ended 31 December 2018, refer to the Quarterly Reports and the ASX announcements made during the half-year period ended 31 December 2018.

DIRECTORS' REPORT (cont'd)

Results

The consolidated entity made a loss of \$420,531 after income tax for the half-year (2017: loss of \$558,026).

Events Subsequent to Reporting Date

In January 2019, Simon Andrew was appointed as the Company's Managing Director to oversee the progress and development of the Hylea project. Mr Andrew brings a wealth of experience to the position having previously been the director of several ASX companies.

Mr David Berrie resigned as managing director of the Company, effective 2 January 2019.

Apart from the above, there has not arisen in the interval between the end of the half-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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Auditor's independence declaration under Section 307C of the Corporations Act 2001

Section 307C of the Corporations Act 2001 requires our auditor, RSM Australia Partners, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 6 and forms part of this director's report for the six months ended 31 December 2018.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the Corporations Act 2001.



Simon Andrew
Managing Director

Dated at Perth, Western Australia, this 14th day of March 2019

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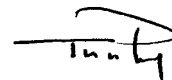
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Hylea Metals Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

A handwritten signature of "RSM" in black ink.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to read "Tutu Phong".

TUTU PHONG
Partner

Perth, WA
Dated: 14 March 2019

**STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the half-year ended 31 December 2018

	Consolidated 31 December 2018 \$	Half-Year Consolidated 31 December 2017 \$
Revenue from continuing operations	20,867	177,468
Exploration and evaluation general expenses	(41,109)	(94,704)
Corporate and administrative expenses	(400,289)	(340,790)
Exploration and evaluation expenditure impairment	-	(300,000)
(Loss) before income tax	(420,531)	(558,026)
Income tax	-	-
(Loss) for the half year	(420,531)	(558,026)
Other Comprehensive Income	-	-
Total Comprehensive (loss) for the half year attributable to owners of Hylea Metals Limited	(420,531)	(558,026)
Loss per share:		
Basic and diluted (loss) per ordinary share (cents)	(0.02)	(0.17)

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 31 December 2018

	Note	Consolidated 31 December 2018 \$	Consolidated 30 June 2018 \$
CURRENT ASSETS			
Cash and cash equivalents		231,494	1,081,231
Trade and other receivables		41,783	102,130
Total Current Assets		273,277	1,183,361
NON-CURRENT ASSETS			
Plant and equipment		3,165	4,721
Exploration and evaluation assets	3	11,756,419	11,553,758
Total Non-Current Assets		11,759,584	11,558,479
TOTAL ASSETS		12,032,861	12,741,840
CURRENT LIABILITIES			
Trade and other payables		90,875	379,323
Total Current Liabilities		90,875	379,323
TOTAL LIABILITIES		90,875	379,323
NET ASSETS		11,941,986	12,362,517
EQUITY			
Contributed equity	4	43,790,848	43,790,848
Reserves		1,064,439	1,064,439
Accumulated losses		(32,913,301)	(32,492,770)
TOTAL EQUITY		11,941,986	12,362,517

The statement of financial position is to be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2018

Consolidated	Contributed equity	Share based payment reserve	Options premium reserve	Accumulated losses	Total Equity
2018	\$	\$	\$	\$	\$
At 1 July 2018	43,790,848	46,040	1,018,399	(32,492,770)	12,362,517
(Loss) for the period	-	-	-	(420,531)	(420,531)
Total Comprehensive (loss) for the half-year	-	-	-	(420,531)	(420,531)
Transactions with equity holders in their capacity as equity holders	-	-	-	-	-
At 31 December 2018	<u>43,790,848</u>	<u>46,040</u>	<u>1,018,399</u>	<u>(32,913,301)</u>	<u>11,941,986</u>
Consolidated	Contributed Equity	Share based payment reserve	Options premium reserve	Accumulated Losses	Total Equity
2017	\$	\$	\$	\$	\$
At 1 July 2017	33,148,376	46,040	228,637	(30,321,553)	3,101,500
(Loss) for the period	-	-	-	(558,026)	(558,026)
Total Comprehensive (loss) for the half-year	-	-	-	(558,026)	(558,026)
Transactions with equity holders in their capacity as equity holders	-	-	-	-	-
At 31 December 2017	<u>33,148,376</u>	<u>46,040</u>	<u>228,637</u>	<u>(30,879,579)</u>	<u>2,543,474</u>

The statement of changes in equity is to be read in conjunction with the accompanying notes.

S T A T E M E N T O F C A S H F L O W S
For the half-year ended 31 December 2018

	Consolidated 31 December 2018 \$	Half-Year Consolidated 31 December 2017 \$
Cash flows from operating activities		
Payments to suppliers and employees	(646,390)	(297,365)
Interest received	3,901	15,426
Net cash (outflow) in operating activities	(642,489)	(281,939)
Cash flows from investing activities		
Payments for exploration expenditure – capitalised costs	(202,661)	(11,826)
Payments for exploration expenditure – acquisition costs	-	(300,000)
Payments for plant & equipment	(4,587)	-
Proceeds from sale of tenements	-	150,000
Net cash (outflow) in investing activities	(207,248)	(161,826)
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Capital raising costs	-	-
Net cash inflow from financing activities	-	-
Net decrease in cash held	(849,737)	(443,765)
Cash and cash equivalents at the beginning of the period	1,081,231	2,226,174
Cash and cash equivalents at the end of the period	231,494	1,782,409

The statement of cash flows is to be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

This general purpose financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by Hylea Metals Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies have been consistently applied with those of the previous financial year and corresponding interim reporting period.

New and Revised Accounting Standards

The consolidated entity has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies and has no effect on the amounts reported for the current half-year and prior year financial statements.

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

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of \$420,531 and had net cash outflows from operating and investing activities of \$642,489 and \$207,248 respectively for the half year ended 31 December 2018. As at that date, the consolidated entity had net current assets of \$182,402. The consolidated entity has determined further capital will be required in order for the consolidated entity to continue as a going concern based on the planned level of operations.

These factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

1. the consolidated entity is arranging a rights issue in order to continue with the planned exploration operations;
2. the consolidated entity is in discussions with strategic investors for additional funding; and
3. the consolidated entity, in late 2018 took significant steps to reduce cash outflows by reducing staff and office costs to minimise cash outflows.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SEGMENT REPORTING

The consolidated entity has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors has considered the business from both a geographic and business segment perspective and the following are the reportable segments under AASB 8.

Consolidated 31 December 2018	Mineral Exploration \$	Corporate \$	Total \$
Segment revenue			
Other unallocated revenue	-	20,867	<u>20,867</u>
Total revenue	-	20,867	<u>20,867</u>
Segment result	(41,109)	(379,422)	(420,531)
Unallocated revenues and expenses	-	-	<u>-</u>
Loss before related income tax expense			<u>(420,531)</u>
Segment assets as at 31 December 2018	11,756,419	276,442	<u>12,032,861</u>
Segment liabilities as at 31 December 2018	-	90,875	<u>90,875</u>

Consolidated 31 December 2017	Mineral Exploration \$	Corporate \$	Total \$
Segment revenue			
Other unallocated revenue	150,000	27,468	<u>177,468</u>
Total revenue	150,000	27,468	<u>177,468</u>
Segment result	(244,704)	(313,322)	(558,026)
Unallocated revenues and expenses	-	-	<u>-</u>
Loss before related income tax expense			<u>(558,026)</u>
Segment assets as at 31 December 2017	797,571	1,823,120	<u>2,620,691</u>
Segment liabilities as at 31 December 2017	-	77,217	<u>77,217</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Consolidated 31 December 2018 \$	Consolidated 30 June 2018 \$
3. EXPLORATION AND EVALUATION ASSETS		
Exploration, evaluation and development costs carried forward in respect of areas of interest	11,756,419	11,553,758
Reconciliation		
Carrying amount at beginning of period	11,553,758	785,745
Exploration and evaluation expenditure	202,661	565,584
Exploration and evaluation interest acquisition	-	11,000,000
Capitalised expenditure impairment	-	(797,571)
Carrying amount at end of period	11,756,419	11,553,758

The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas.

	Consolidated 31 December 2018 \$	Consolidated 30 June 2018 \$
4. CONTRIBUTED EQUITY		
2,803,873,559 (30 June 2018: 2,803,873,559) fully paid ordinary shares	43,790,848	43,790,848
	Shares No.	Listed Options No.
At 1 July 2018	2,803,873,559	-
Issue of shares	-	-
Issue of options	-	-
At 31 December 2018	2,803,873,559	-
		Unlisted Options No.
At 1 July 2018		25,000,000
Issue of shares		-
Issue of options		-
At 31 December 2018		25,000,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There has been no change in the contingent liabilities or contingent assets noted in the annual report for the year ended 30 June 2018.

6. EVENTS SUBSEQUENT TO REPORTING DATE

In January 2019, Simon Andrew was appointed as the Company's managing director. Mr Andrew brings a wealth of experience to the position having previously been the director of several ASX companies.

Mr David Berrie resigned as a director of the Company, effective 2 January 2019.

Other than the above, there has not arisen in the interval between the end of the half-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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

7. DIVIDENDS

There have been no dividends declared or recommended and no distributions made to shareholders or other persons during the period.

Directors' declaration

In the opinion of the directors:

1. the financial statements and notes, as set out within this financial report, are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the six months ended on that date; and
 - (b) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001;
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Simon Andrew
Managing Director

Dated at Perth, Western Australia this 14th day of March 2019.



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hylea Metals Limited which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hylea Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Hylea Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

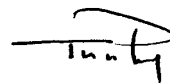
- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1, which indicates that the consolidated entity incurred a loss of \$420,531 and had net cash outflows from operating and investing activities of \$642,489 and \$207,248 respectively for the half-year ended 31 December 2018. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 14 March 2019