

QUARTERLY REPORT

FOR THE QUARTER ENDING 30 JUNE 2017 : 20 JULY 2017



METALLICA MINERALS LTD

Metallica Minerals Limited is primarily an Australian bauxite developer with other interests in graphite, scandium, cobalt, nickel and mineral sands.

ISSUED CAPITAL*

302,231,715	Ordinary Shares
58,215,808	Listed Options
1,000,000	Unlisted Options

SHAREHOLDERS*

2,234 shareholders
Top 20 shareholders
hold 37.83%

LARGEST SHAREHOLDERS

Jien Mining Pty Ltd	13.3%
Plan-1 Pty Ltd	3.9%

DIRECTORS

Peter Turnbull
Non Executive Chairman
Steven Boulton
Non Executive Director
Wang Ruobing
Non Executive Director
Shu Zhang
Alternate Director to
Wang Ruobing

SENIOR MANAGEMENT

Simon Slesarewich
Chief Executive Officer
John Haley
CFO & Company Secretary

CASH BALANCE*

MLM's cash balance is
approximately \$3,658,000.
No debt.

*As at 30/06/17

HIGHLIGHTS

Fully Funded

- Current cash position A\$4.4M
- 30 June 2017 options raise a total of \$1.27M¹
- Negotiating \$2M stand-by credit facility

Milestones

- Executed Native Title Compensation Agreements with Traditional Land Owners²
- Experienced mining and haulage contractor appointed³

Board

- Andrew Gillies retired as a Non-Executive Director⁴

PROJECT HIGHLIGHTS

URQUHART BAUXITE PROJECT (QLD)

- First bauxite production targeted for late in Q3 CY 2017
- Executed critical Native Title and Compensation Agreements with the Traditional Land Owners (TLO Agreements)

- Appointed LCR Group as the mining and haulage contractor. Contracted rates are in line with the pre-feasibility study and ensures a low capital development

- Commonwealth Government public notification period completed with no submissions being received
- Final project permitting and offtake negotiations are ongoing

SCANDIUM-COBALT-NICKEL SCONI PROJECT (QLD)

- Project being expedited by Joint Venture partner, Australian Mines Ltd (ASX:AUZ)⁵

- Construction commenced on a demonstration-size HPAL + SX plant⁶
- Five Exploration for Minerals (EPMs) applied for and if granted will increase the SCONI project area by 10 times⁷

1. ASX Release 14 July 2017 "Options raise a further \$853,102", available at asx.com.au
2. ASX Release 21 June 2017 "TLO Compensation Agreement executed for Urquhart Bauxite", available at asx.com.au
3. ASX Release 2 May 2017 "Mining and Haulage Contractor Appointed", available at asx.com.au
4. ASX Release 2 June 2017 "Resignation of Director", available at asx.com.au
5. ASX Release 10 October 2016 "Metallica-Australian Mines SCONI Joint Venture", available at asx.com.au
6. See AUZ ASX Release 15 May 2017 "Construction commences of a demonstration-size processing plant", available at asx.com.au
7. AUZ ASX Release 3 July 2017 "10 fold expansion of SCONI Project tenement area", available at asx.com.au

NOTICES

COMPETENT PERSON'S STATEMENT

URQUHART BAUXITE

The Mineral Reserve estimate and Production Target estimates were undertaken by Mr Stewart Lewis, Mining Engineer, who is a Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy and the CEO of IMC Mining Pty Ltd. Mr Lewis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Lewis consents to the inclusion of this information in the form and context in which it appears in this release/report.

The Mineral Resource estimate was undertaken by Mr John Horton, Principal Geologist, who is a Fellow and Chartered Professional of the Australasian Institute of Mining and Metallurgy and an associate at IMC Mining Pty Ltd. Mr Horton has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Horton consents to the inclusion of this information in the form and context in which it appears in this release/report.

The information in this report that relates to Exploration Results and Exploration Targets is based on information compiled by John Cameron (a geologist of over 25 years experience), and a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy and is a contract consultant to Metallica Minerals Ltd. Mr Cameron has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Cameron consents to the inclusion of this information in the form and context in which it appears in this release/report.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements made in this announcement contain or comprise certain forward-looking statements. Although Metallica believes that the estimates and expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in commodity prices and exchange rates and business and operational risk management. Metallica undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.

SEPTEMBER QUARTER OUTLOOK

With Metallica now being fully funded for the maiden bauxite mining operations at its flagship Urquhart Bauxite project, the focus for the September 2017 quarter is to:

- Finalise Queensland and Commonwealth Government environmental approvals, and the issue of a mining lease;
- Finalise the Development Application for the haul road linking the Urquhart Bauxite project to the established barge loading facility at Hey Point
- Secure offtake and sales contracts; and
- Commence mobilisation and production.

The June 2017 quarter saw significant progress with the appointment of the LCR Group as the mining and haulage contractor for the Urquhart Bauxite project, as well as the execution of the Native Title and TLO Agreements. The execution of the TLO Agreements sees the project enter a regulated approval process that should result in the grant of a mining lease during the September quarter.

In parallel with the mining lease, the Development Application, through the local Cook Shire, covering the haul road linking Urquhart Bauxite will be finalised with the expectation that this critical

approval will also be granted during the September quarter.

With further clarity on the potential timing of the granting of critical approvals, offtake negotiations are able to be more meaningfully progressed during the September quarter. Offtake negotiations and sales contracts are a priority to underpin the development of the Urquhart Bauxite project.

As previously announced, the Company will also look to finalise a standby credit facility⁸. Although it is expected that this facility will not be drawn upon, the standby credit facility will give additional access to working

capital to manage any unforeseen circumstances during the critical development and start-up phase of the Urquhart Bauxite project. The Company believes that this is prudent capital and risk management for shareholders.

While Metallica is focused on bringing the Urquhart Bauxite project into production, the Company continues to assess potential acquisition opportunities that will add value to shareholders, as well as investigate opportunities to unlock value from non-core assets.



8. ASX Release 10 March 2017 "Renounceable Issue". Available at www.asx.com.au

CAPE YORK BAUXITE & HMS JV

1,784 Ha

Mining leases and Mining lease applications

1,200 km²

Exploration tenure

Bx & HMS

Bauxite and Heavy Mineral Sands: zircon, rutile, and titanium minerals

MLM 50%

Ozore Resources Pty Ltd 50%

Pursuant to the Joint Venture (JV) agreement, the Cape York Bauxite and HMS Project JV is held 50% by Oresome Australia Pty Ltd, a wholly owned subsidiary of Metallica Minerals, and 50% by a private Chinese investor, Ozore Resources Pty Ltd (Ozore).

The Cape York Bauxite and HMS Project JV comprises three separate projects: the Urquhart Bauxite project, Urquhart Point HMS project, and the Cape York regional exploration project.

Since the formation of the JV on 8 September 2014, the JV has expended in excess of \$10M which has been applied to progressing development of the Urquhart Bauxite project as well as the design and fabrication of the Urquhart Point HMS processing plant, which is currently in storage.

PRIORITIES FOR THE SEPTEMBER 2017 QUARTER

- Development of the Urquhart Bauxite project is targeting production late in Q3 CY 2017. The JV will continue to progress and finalise permitting and approvals necessary to realise production from Urquhart Bauxite as referred to in this report.
- Approaches from third parties in relation to the Urquhart Point HMS project and processing plant will be progressed so as to potentially deliver value to the JV.

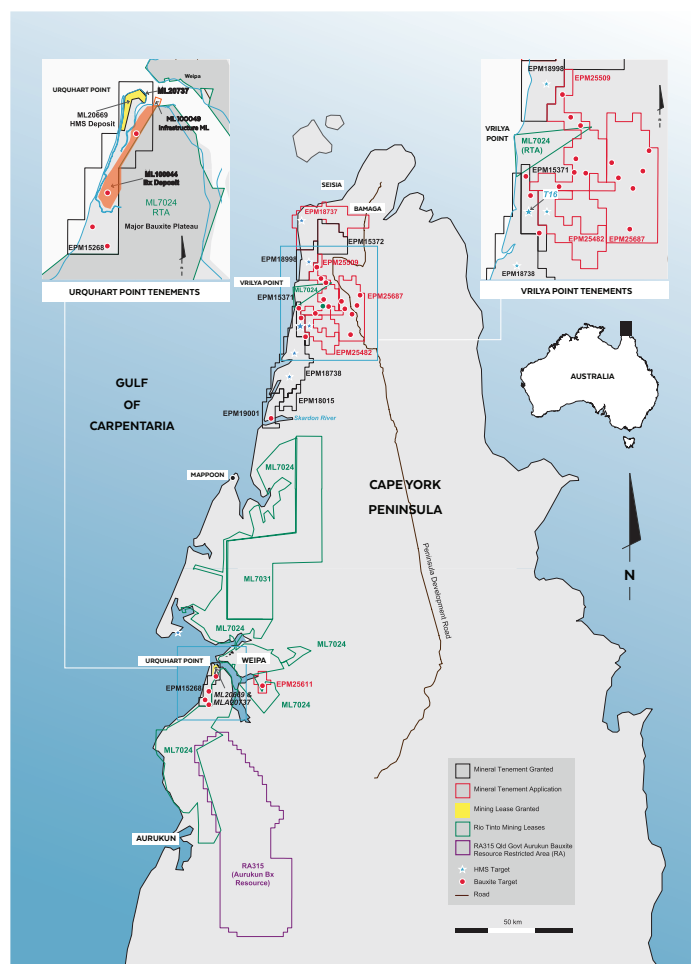


FIGURE 1: Cape York Bauxite and HMS project areas

URQUHART BAUXITE PROJECT

The Urquhart Bauxite project is located some 5 km southwest of Weipa on the west coast of Queensland's Cape York Peninsula. The western Cape York is world-renowned for its extensive deposits of high-quality, export-grade pisolitic bauxite. The project consists of two bauxite plateaux, known as Area A and Area B, which are wholly contained within the lease area.

Both the Queensland⁹ and Commonwealth¹⁰ Governments have confirmed that the Urquhart Bauxite project will not require an Environmental Impact Statement (EIS) to be completed prior to mine start-up. This most important determination should see a Mining Lease granted in the

September quarter of 2017, thereby allowing mobilisation of contractors and production soon thereafter.

The project's JORC (2012) Resource estimate was updated in November 2016¹¹, following the drilling program completed in August 2016. The total Mineral Resource increased by 26% to 9.5Mt, with 6.9Mt being in the Measured and Indicated categories. An additional 8.5Mt of lower grade transitional material, over and above the 9.5Mt, has been identified for potential beneficiation through dry screening. Further investigation of the potential of this transitional material will be completed when mining is underway.

Following on from the updated JORC (2012) Resource estimate, a Pre-Feasibility Study (PFS)¹² was completed showing that the development of the Urquhart Bauxite project had the potential to deliver strong financial returns for minimal capital expenditure, utilising a contractor model that shifted risk and capital on to contractors, thereby maximising returns to shareholders. The contract executed with LCR Group delivers on this strategy with costs being in line with cost assumptions contained within the PFS.

The PFS was independently prepared by Brisbane-based international consultancy, IMC Mining Pty Ltd (IMC), which also completed the update of the JORC (2012) Resource

estimate. London-based independent metals analyst, CRU International, estimated the Free On Board (FOB) USD price of bauxite received utilising the Life of Mine (LOM) schedule produced by IMC.

The results of the PFS are summarised in Table 2.

The completion of the PFS allows for a maiden JORC (2012) Reserves Statement¹² (see Table 3) contained within Mining Lease Application (MLA) 100044.

The barging and associated infrastructure¹³ remains in place, whilst LCR Group has confirmed the availability of equipment and critical personal to meet the JV's production plans.

TABLE 1: Urquhart bauxite project DSB Mineral Resource at an effective cut-off of 48% Al₂O₃

Classification	Area	Mt	Al ₂ O ₃ %	SiO ₂ %	AAI%*	RSi %**
Measured	A	3.0	54.4	11.8	43.2	5.0
Indicated	A	3.9	53.3	13.1	40.8	5.2
Inferred	A	0.3	54.2	11.3	42.0	4.7
	B	2.3	49.9	17.4	37.2	6.0
	Subtotal	2.6	50.3	16.8	37.6	5.9
Total		9.5	52.8	13.7	40.7	5.3

* AAI – Available Alumina @150°C

** RSi – Reactive Silica @ 150°C

9. ASX Release 25 October 2016 "DEHP confirms Urquhart Bauxite will not require an EIS", available at asx.com.au

10. ASX Release 24 June 2016 "Commonwealth Government confirms no EIS", available at asx.com.au

11. ASX Release 14 November 2016 "Significant Increase to Mineral Resource at Urquhart Bauxite", available at asx.com.au

12. ASX Release 30 December 2017 "Urquhart Bx PFS-incl Inferred Resource assumptions-P 4 & 5", available at asx.com.au

13. ASX Release 24 October 2016 "Logistics provider ships maiden bauxite cargo", available at asx.com.au

URQUHART BAUXITE PROJECT

TABLE 2: Summary of 2016 PFS Results – Urquhart Bauxite project[#]

Item	Unit	Scenario 1 (Base Case)	Scenario 2	Scenario 3
		<i>Mining Proved & Probable Reserves in Area A</i>	<i>Additional mining of Inferred resource in both Area A and Area B</i>	<i>At end of mine life, screening transitional stockpiled material</i>
Total Saleable Product	Dry kt	6,532	8,672	10,296
Total Al₂O₃	%	52.7	51.6	51.2
Total SiO₂	%	13.3	14.7	15.4
AAI	%	40.6	39.1	38.1
RSi	%	5.7	6.1	6.1
Total Revenue	A\$m	295.5	364.5	416.9
EBITDA	A\$m	81.8	82.6	90.8
NPV₁₀ Pre Tax	A\$m	78.4	78.9	86.9
NPV₁₀ Post Tax	A\$m	53.9	54.2	59.9
LOM Capital	A\$m	2.7	3.0	3.1
Avg FOB Cost^{***}	A\$/tonne	32.72	32.51	31.67
Avg FOB Received	A\$/tonne	45.24	42.03	40.49
Payback	months	5	5	5

^{***} Includes all operating costs, royalties and other payments

[#] Unless otherwise indicated all figures are on a 100% project basis

Metallica confirms all material assumptions underpinning production targets and corresponding financial information continue to apply and have not materially changed as per Listing Rule 5.19.2

TABLE 3: Urquhart Bauxite project reserves

	Area	Direct shipping Bauxite (low Temp) Dry Kt	Al ₂ O ₃ %	SiO ₂ %	THA %	Low Temp RSi %
Proved	A	2,964	53.7	12.3	42.3	5.4
Probable	A	3,568	51.9	14.2	39.1	5.9
Ore Reserve	A	6,532	52.7	13.3	40.6	5.7

URQUHART BAUXITE PROJECT

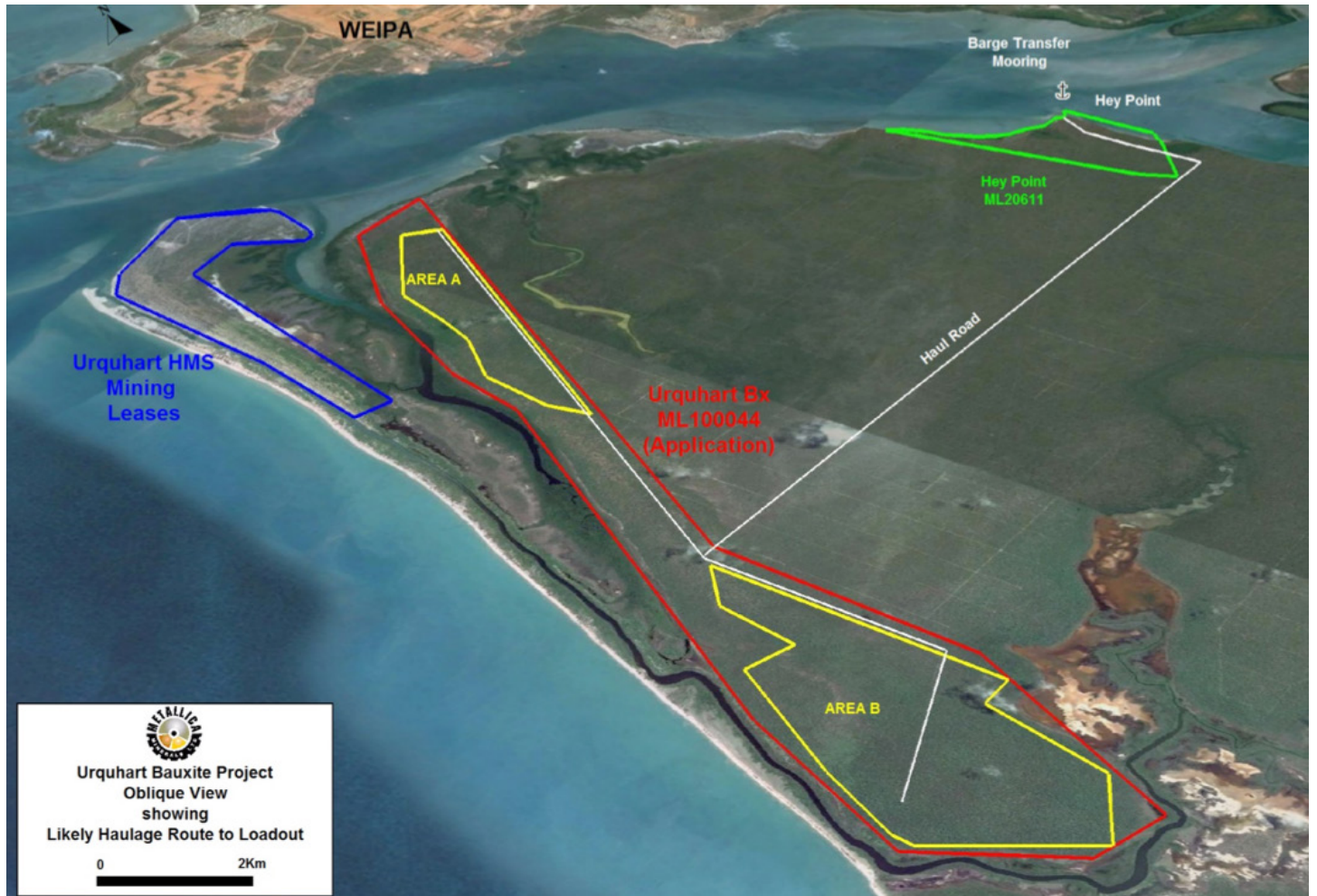


FIGURE 2: Aerial view showing likely haulage route and proximity of Hey Point load-out facility (green) to the Urquhart Bauxite project lease (red) and mining areas (yellow)

URQUHART POINT HMS PROJECT

The modularised HMS processing plant arrived in Australia in December 2015 and is currently stored near Brisbane. Given the continuing low heavy mineral sand prices, the JV has deferred on-site construction of the HMS processing plant to focus on

the higher value Urquhart Bauxite project. The Joint Venture is continuing to seek options that may deliver value to the JV.

The Urquhart Point HMS project is located on Urquhart Point, 3 km south-west of Weipa (see Figure 3). The JV

has developed a simple dry mining (less than 3 metre depth) and wet sand mineral processing operation using standard gravity (spiral concentrators) HMS separation to produce a zircon-rutile heavy mineral concentrate (HMC). The development plan

can be implemented very quickly to deliver production if there is further improvement in product pricing.

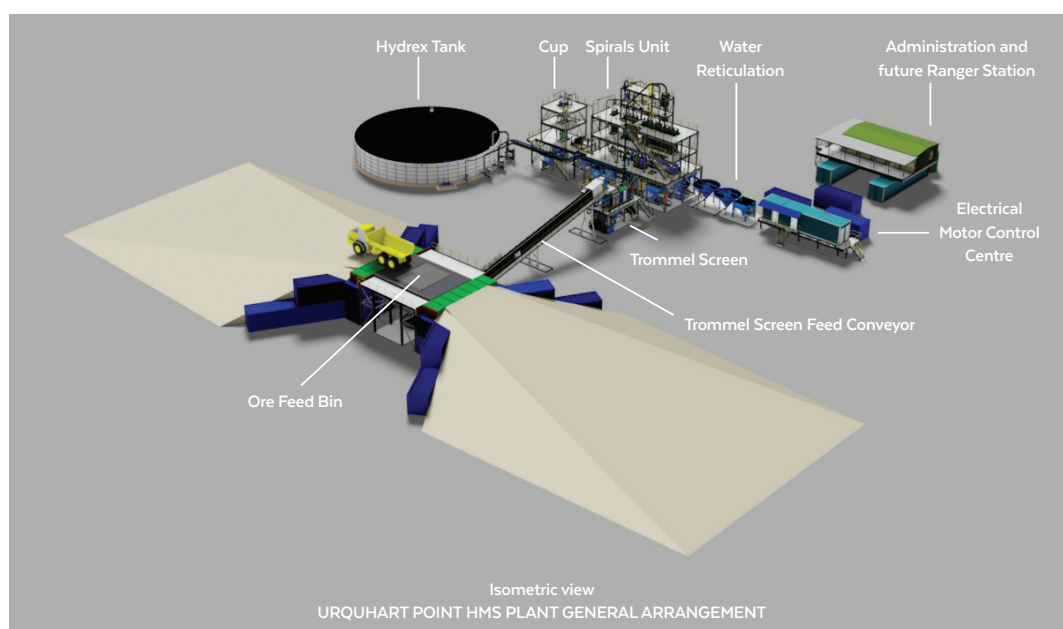
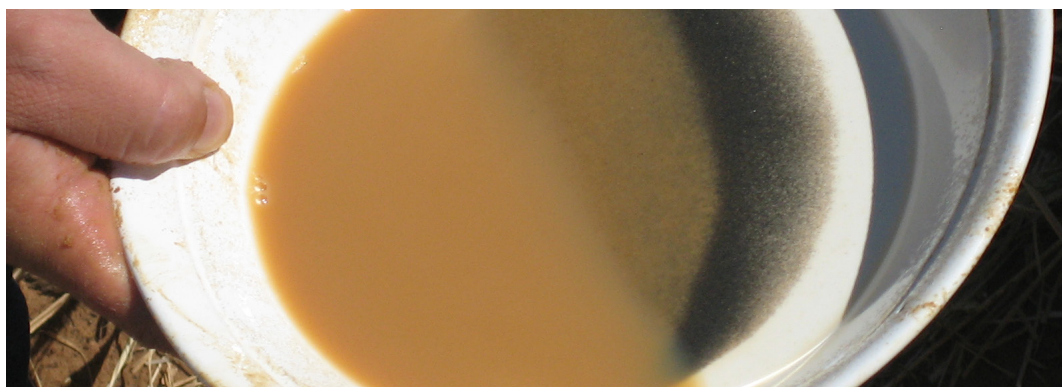


FIGURE 3: 3D CAD image Urquhart HMS plant design

CAPE YORK REGIONAL EXPLORATION

The JV did not undertake any field work on its regional HMS and bauxite exploration targets during the June quarter. With a clear focus on the Urquhart Bauxite project, regional exploration is currently on hold.



SCONI SCANDIUM, COBALT & NICKEL PROJECT

2,049 Ha

Mining leases

478 Ha

Mineral development licenses

155.6 km²

Exploration tenure

MLM 100%

Through subsidiaries
NORNICO Pty Ltd and
Greenvale Operations Pty Ltd

The SCONI scandium-cobalt-nickel tri-metal project is located less than three hours' drive northwest of Townsville, Queensland. On the 10th of October 2016, Metallica announced that the Company had entered into a Farm-in and JV Agreement with Australian Mines (ASX:AUZ) over Metallica's 100%-owned SCONI project.

The JV with Australian Mines over the SCONI project delivers on Metallica's commitment to create value from non-core assets. It preserves Metallica's significant past investment, whilst maintaining an exposure to the continued upside from the development of the SCONI project.

The project is being rapidly progressed by Australian Mines which has commenced a Definitive Feasibility Study

(DFS), targeted for completion within 2 years.

Australian Mines has also commenced construction of a demonstration-size HPAL + SX plant⁶ in Perth to produce off-take samples of cobalt sulphate, nickel sulphate and scandium oxide to progress negotiations with potential customers. The plant is designed to process over 15 tonnes of ore per week, delivering up to 67 kg of cobalt sulphate, 500 kg of nickel sulphate and 8 kg of scandium oxide.

Five Exploration for Minerals Permits (EPMs) have been applied for and if granted will increase the SCONI project area by 10 times⁷. The increased project area will provide a buffer around the existing mining leases and increase the area for future exploration.

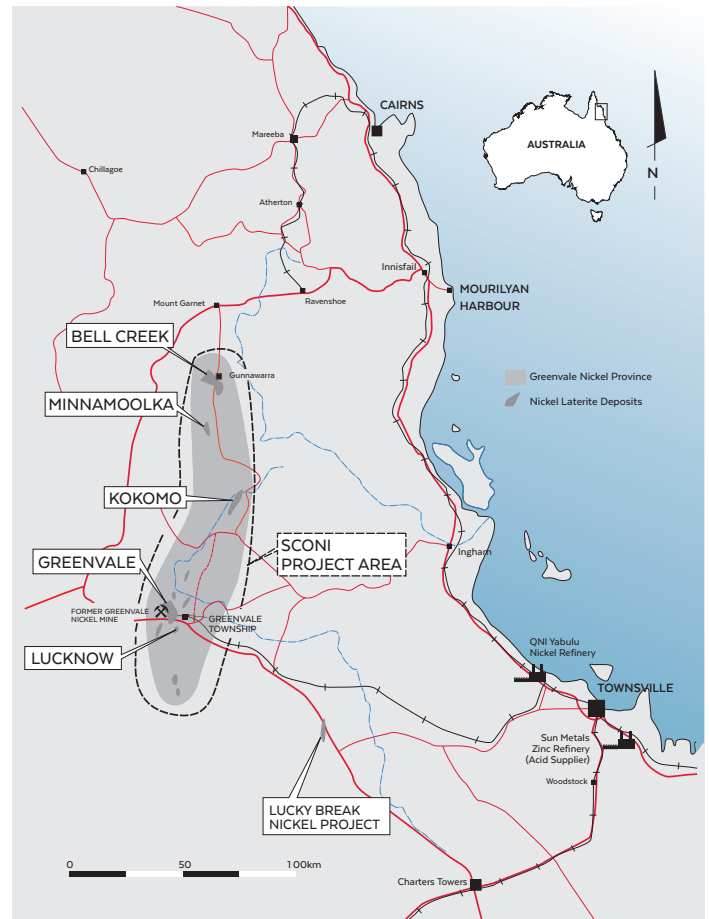


FIGURE 4: SCONI project area

ESMERALDA GRAPHITE PROJECT

581 km²

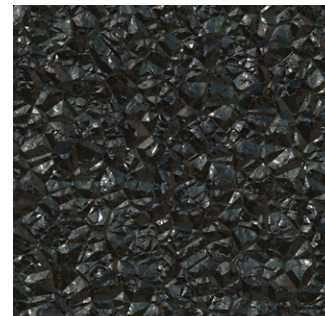
Exploration tenure

Graphite

Large scale “graphite in granite”- targeting high purity graphite

MLM 100%

Through subsidiary
Touchstone Resources
Pty Ltd



In October 2015¹⁴ a graphite specific drilling program on the project commenced. The assay results confirmed thick graphite (graphitic carbon – Cg) mineralised intervals in the first two exploration holes.

The core was assayed for graphite content and total carbon. In summary, both drill holes (in a vertical two-hole drilling program) intersected significant broad graphite

mineralisation (using a 3% Cg cut-off) with continuous intercepts of¹⁵:

WD001
95m @ 6.5% Cg from 71m

WD002
29.1m @ 7.8% Cg from 71.9m

Standard procedures that involved crushing and preparation of representative drill core samples for bench scale floatation testwork

showed that a concentrate grade of 91.5% TC (90.6% Cg) was able to be produced at a 91% recovery. Further purification testwork using an additional single stage caustic bake and wash process, produced an even higher concentrate grade of 97.8% TC¹⁶.

The Company completed an electromagnetic geophysics program in October 2016 to identify near-surface graphite mineralisation for follow up

drill testing. Analysis of the EM geophysics program failed to identify any near-surface graphite mineralisation targets in the survey area, which covers 3.5% of the total project area. The Company plans to review the project area so as to identify other areas that may contain near-surface graphite mineralisation. This strategy may include a modest exploration field program during 2017.

14. ASX Release 23 October 2015 “Drill rig mobilised to the Esmeralda Graphite Project”, available asx.com.au.

15. ASX Release “Assays strongly support potential for large graphite deposit”, available asx.com.au

16. ASX Release 24 May 2016 “High Purity and Recovery from testwork on the Esmeralda Graphite Project in North Qld”, available asx.com.au.

CAPE FLATTERY SILICA SANDS

54km²

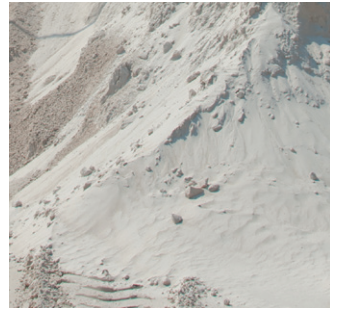
Exploration tenure

Silica Sands

For bulk export shipping

MLM 100%

Through subsidiary
Oresome Australia Pty Ltd



The Cape Flattery silica sands project is located approximately 200 km north of Cairns in north Queensland (see Figure 5). The EPM covers part of a large Quaternary sand dune field, which is believed to contain high-grade silica sand, a section of which is currently being mined by Cape Flattery Silica Mines Pty Ltd (CFSM), a wholly-owned subsidiary of Mitsubishi Corporation.

The adjacent CFSM operation has operated since 1967 and is the world's largest silica sand mining operation. The dune field is known to contain high grade silica sands. Metallica will evaluate its potential for development as a silica sand mining and bulk shipping operation.



FIGURE 5: Cape Flattery project area

SUBSIDIARY COMPANIES

NORNICO Pty Ltd
ACN 065 384 045

Oresome Australia Pty Ltd
ACN 071 762 484

Oresome Bauxite Pty Ltd
ACN 606 362 252

Lucky Break Operations Pty Ltd
ACN 126 272 580

Phoenix Lime Pty Ltd
ACN 096 355 761

Greenvale Operations Pty Ltd
ACN 139 136 708

Scandium Pty Ltd
ACN 138 608 894

Touchstone Resources Pty Ltd
ACN 126 306 018