

QUARTERLY REPORT

ASX RELEASE
25 JANUARY 2018

for the period ended **December 2017**

HIGHLIGHTS

Mining lease issued for Urquhart Bauxite Project¹

Urquhart fully funded - \$7.83 million in cash available at quarter end and \$2 million undrawn credit facility²

Developments in Chinese bauxite market continue to bode well for Australian exporters

Completed sale of SCONI Project for \$11 million³

Significant increase in Urquhart sales and marketing activities⁴

Complimentary growth opportunities being actively assessed



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



CORPORATE INFORMATION

*as at 31 December 2017

CASH BALANCE*

As at the end of the quarter, MLM's cash balance was approximately \$7.83 million

Undrawn \$2 million stand-by credit facility

ISSUED CAPITAL*

322,447,408
Ordinary Shares

38,000,102
Listed Options

1,000,000
Unlisted Options

SHAREHOLDERS*

2,272
Shareholders

Top 20 shareholders
hold 35.89%

LARGEST SHAREHOLDERS

Jien Mining Pty Ltd – 12.4%
Plan-1 Pty Ltd – 3.66%

DIRECTORS

Peter Turnbull
Non Executive Chairman

Steve 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

L-R: John Haley, Shu Zhang, Peter Turnbull, Steve Boulton, Simon Slesarewich



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DEVELOPMENT AND EXPLORATION

Metallica Minerals (ASX: MLM) (“Metallica”, “the Company”) is pleased to present its activities report for the quarterly period ending December 31, 2017.

URQUHART

BAUXITE MLM INTEREST 50%

During the period Metallica continued dialogue with the Queensland government with regards to the Mining Lease for the Urquhart Bauxite Project in the state’s Far North. These discussions had a positive conclusion subsequent to the end of the quarter, with the Queensland Department of Natural Resources and Mines (DNRM) granting the Mining Lease on 3 January, 2018.

The conditions imposed by the DNRM in granting the lease were in line with the Company’s expectations, and include the requirement that operations are only conducted during the dry season (April through December inclusive).

All of the environmental studies associated with the haul road from the Project to the Hey Point

port have also been completed. The Company continues to work with stakeholders to finalise the most appropriate approval path, thereby allowing access to the haul road route and mining operations to commence.

Sales and marketing activities associated with Urquhart increased during the December quarter with the appointment of Bigbites Limited, a specialist bauxite marketing company based in Hong Kong appointed as marketing agent for the Project. These activities were focused on new markets in China and Metallica expects to continue discussions with interested potential customers with a view to formalising agreements in the March 2018 quarter.

BACKGROUND

The Urquhart Bauxite Project is located 5km south-west of Weipa on the west coast of the Cape York Peninsula, a region renowned for its extensive deposits of high-

quality pisolitic bauxite. The Project consists of two bauxite plateaux, known as Area A and Area B, that are wholly contained within the lease area.

Urquhart’s Mineral Resource stands at 9.5 million tonnes grading 52.8% Al_2O_3 , with 6.9Mt being in the Measured and Indicated categories.⁵ An additional 8.5Mt of lower grade transitional material has been identified for potential beneficiation through dry screening. This material will be subject to further assessment once mining has commenced.

The Pre-feasibility Study (PFS) completed on Urquhart in December 2016 allowed for the declaration of a maiden JORC 2012 reserve of 6.5Mt grading 52.7% Al_2O_3 .⁶

The PFS, which was independently prepared by Brisbane-based consultancy IMC Mining Pty Ltd, demonstrated that the Project had the potential to deliver strong financial

Urquhart Bauxite project DSB Mineral Resource at an effective cut-off of 48% Al_2O_3

Classification	Area	Mt	Al_2O_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

DEVELOPMENT AND EXPLORATION

returns for minimal capital expenditure, utilising a model that transfers risk and capital to the contractor and maximises returns for shareholders. The contract executed with LCR Group in May 2017⁷ is in keeping with this model, with

costs being in line with the assumptions made in the PFS.

A logistics solution for Urquhart has been secured, with bauxite from the Project to be shipped through existing infrastructure at the Hey Point port. With federal and state environmental

approvals granted^{8&9}, a mining lease in place and funding arranged, Metallica will start development as soon as haul road access has been negotiated and the 2017/18 wet season has finished.

Summary of 2016 PFS Results – Urquhart Bauxite project

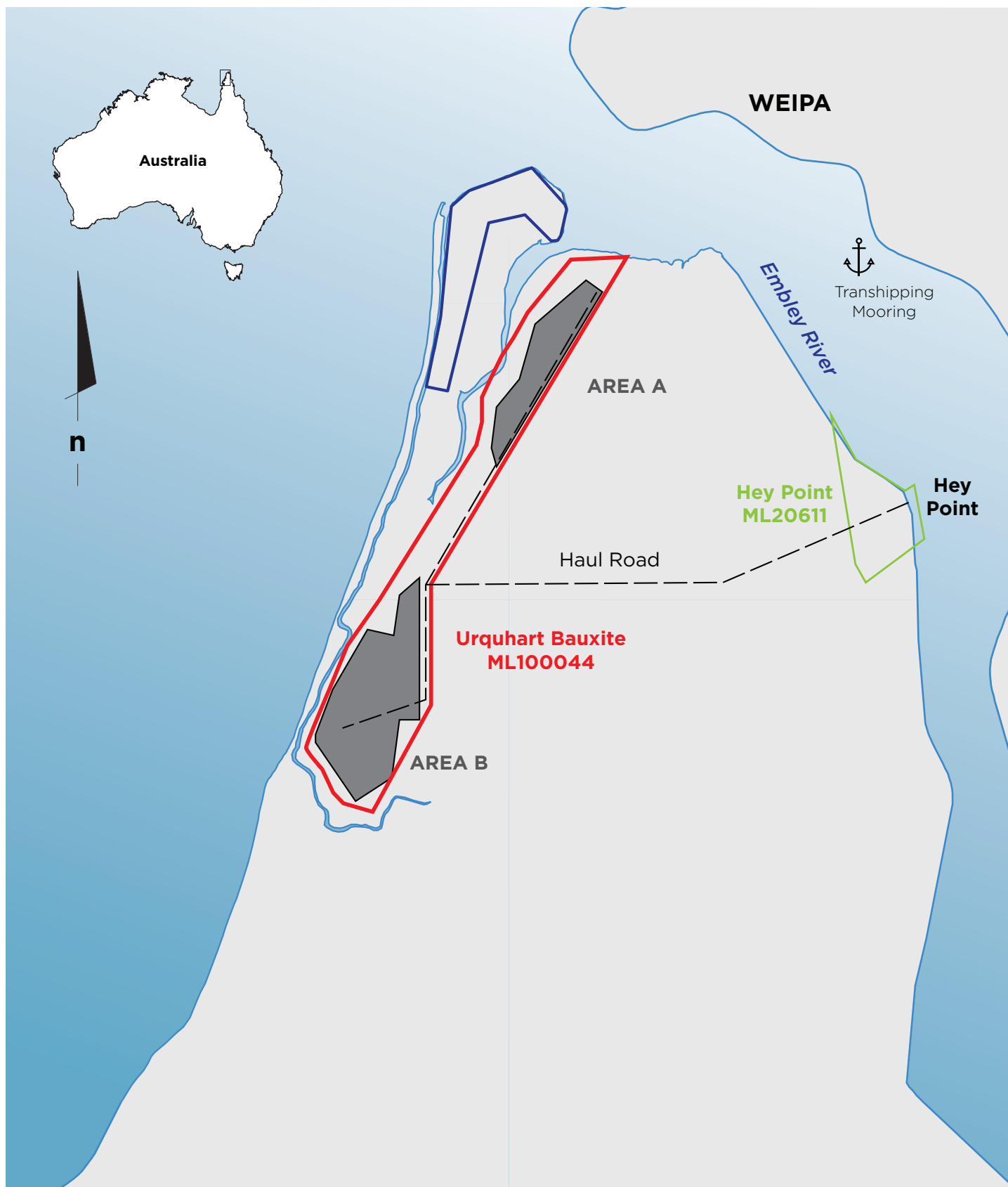
Item	Unit	Scenario 1 (Base Case)	Scenario 2	Scenario 3
		<i>Mining Proved & Probable Reserves in Area A</i>	<i>Additional mining of Inferred resource in both Area A and Area B</i>	<i>At end of mine life, screening transitional stockpiled material</i>
Total Saleable Product	Dry kt	6,532	8,672	10,296
Total 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

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



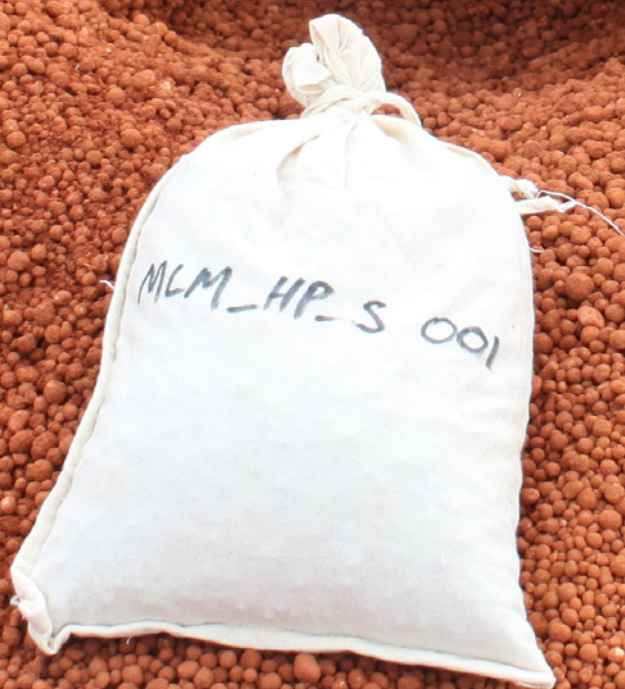
BAUXITE MARKET COMMENTARY

Metallica continued to be encouraged by developments in global bauxite markets – particularly China – during the December quarter. Notably, Chinese bauxite import volumes for the month of December were estimated at a record high of approximately 7 million tonnes.

The trend of increasing imports is being driven in part by the Chinese government crackdown on environmentally harmful and illegal mining operations. While the government is continuing its campaign of environmental audits on mines, reports indicate there has also been an increasing focus on project documentation, approvals, records and licence compliance.

The increased regulation and continued decline in Chinese domestic grade bauxite is opening new provincial markets, with Shanxi, Henan and Guangxi all looking to import bauxite for the first time. Traditional provincial markets such as Shandong and Inner Mongolia remain net importers of bauxite.

Metallica is exploring opportunities in both new and traditional Chinese markets and is well positioned given the considerable freight advantage that Australian bauxite miners enjoy over other producers selling into China.



DEVELOPMENT AND EXPLORATION

SCONI

SCANDIUM - COBALT - NICKEL

Following the signing of a binding sale and purchase agreement assigning 100% ownership of the SCONI Project in Far North Queensland to ASX-listed Australian Mines in September 2017, Metallica received cash payments of \$4.5 million from Australian Mines during the December 2017 quarter, including an additional \$1 million as compensation for an extension to the completion date.

Metallica anticipates receiving the Consideration Shares (\$1.5 million in Australian Mines shares) in the first half of 2018, with a further \$5 million in cash or Australian Mines shares payable on the commencement of commercial production at SCONI.

The sale of Metallica's interest in the SCONI project is in keeping with the Company's strategy of realising value from non-core assets and focusing on generating near-term cashflow through the development of the Urquhart Bauxite Project.

URQUHART POINT

HEAVY MINERAL SANDS MLM INTEREST 50%

Part of the Cape York Joint Venture with private Chinese investor Ozore Resources Pty Ltd, no work was undertaken on the Urquhart Point heavy mineral sands project during the December 2017 quarter as Metallica continued to focus on progressing the Urquhart Bauxite Project towards production.

The Company will continue to entertain third party approaches in relation to the Urquhart Point HMS project and processing plant, which remains in storage near Brisbane, so as to potentially realise value from the asset.

CAPE YORK

REGIONAL EXPLORATION MLM INTEREST 50%

Metallica and its joint venture partner Ozore Australia Pty Ltd did not undertake any field work on regional HMS and bauxite exploration targets during the December quarter. With a clear focus on the Urquhart Bauxite Project, regional exploration is currently on hold.

ESMERELDA

GRAPHITE MLM INTEREST 100%

No meaningful exploration work was undertaken on the Esmerelda graphite project during the December quarter. Metallica intends to incrementally progress the project while continuing to focus on its strategy to become a significant bauxite producer.

CAPE FLATTERY

SILICA SANDS MLM INTEREST 100%

No meaningful exploration activity was undertaken on the Cape Flattery silica sands project during the December quarter. Metallica intends to incrementally progress the project while continuing to focus on its strategy to become a significant bauxite producer.

CORPORATE

GROWTH OPPORTUNITIES

Metallica actively monitors the market for complementary resources assets that possess the potential to add value for shareholders. The Company has identified several such assets and during the December 2017 quarter progressed with the assessment of these opportunities.

ISSUED CAPITAL

As at 31 December 2017, Metallica had 322,447,408 fully paid ordinary shares, 38,000,102 listed options and 1,000,000 unlisted options on issue.

FINANCIAL UPDATE

Metallica finished the December 2017 quarter with \$7.83 million in cash and a \$2 million undrawn standby credit facility and remains fully funded to complete development of the Urquhart Bauxite Project.

MARCH 2018 QUARTER OUTLOOK

Metallica's focus for the March 2018 quarter is to:

- Finalise negotiations with stakeholders to allow approval of the haul road linking the Urquhart Bauxite project to the established barge loading facility at Hey Point;
- Continue discussions with interested offtake partners with a view to finalising sales contracts prior to first production;
- Undertake field reconnaissance and sampling program at the Cape Flattery Silica Sands project; and
- Continue to assess and progress identified bauxite acquisitions that have the potential to add value for shareholders.

At the end of the quarter, MLM's cash balance was \$7.83 million or \$0.024 per share.



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.

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1. ASX Release dated 3 January 2018 "Mining Lease granted for Urquhart Bauxite Project"
 2. ASX Release dated 10 August 2017 "\$2 million standby credit facility secured"
 3. ASX Release dated 8 December 2017 "Metallica receives \$4.5 million first tranche SCONI Payment", 4 December 2017 "SCONI Sale and Purchase Agreement" and 6 September 2017 "Sale of SCONI Project for \$10 million"
 4. ASX Release dated 26 October 2017 "Appointment of Marketing Agent"
 5. ASX Release dated 14 November 2016 "Significant increase to Mineral Resource at Urquhart Bauxite"
 6. ASX Release dated 30 December 2016 "Urquhart Bx PFS - incl Inferred Resource assumptions - P 4 & 5"
 7. ASX Release dated 22 May 2017 "Mining and Haulage Contractor appointed"
 8. ASX Release dated 25 October 2016 "DEHP confirms Urquhart Bauxite will not require an EIS"
 9. ASX Release dated 24 June 2016 "Commonwealth Government confirms no EIS"
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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

