

QUARTERLY REPORT

ASX RELEASE
31 January 2019

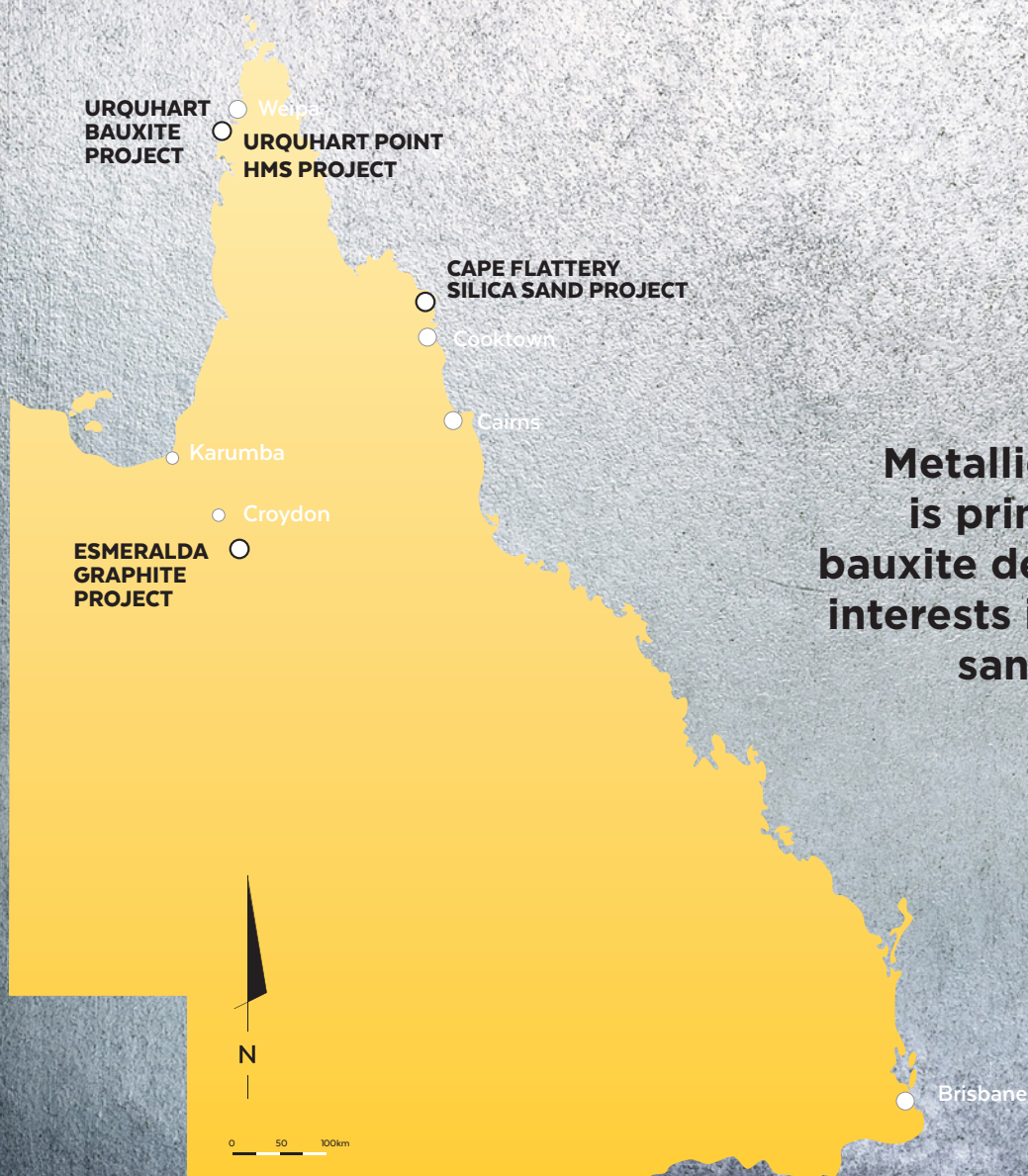
for the period ended **31 December 2018**

KEY EVENTS

Metallica entered into a binding Haul Road Access Agreement to connect the Urquhart Bauxite project to established barge loading facilities at Hey Point¹

Urquhart development remains fully funded – \$4.3 million in cash available at quarter end

At quarter end the decision was made to terminate the previously announced merger with Melior Resources²



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 2018

CASH AND RECEIVABLES*

As at 31 December 2018,
MLM's cash balance
was \$4,306,000

ISSUED CAPITAL*

322,447,408
Ordinary Shares

1,000,000
Unlisted Options

SHAREHOLDERS*

2,288
Shareholders

Top 20 shareholders
hold 35.41%

LARGEST SHAREHOLDERS

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

DIRECTORS

Michael Hansel
Non Executive Chairman

Alan Evans
Non Executive Director

Simon Slesarewich
Managing Director

SENIOR MANAGEMENT

John Haley
CFO & Company Secretary



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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, 2018.

URQUHART

BAUXITE MLM INTEREST 50%

Following the updated independent Pre-Feasibility Study (PFS)³ on the Urquhart project released in the previous quarter, the Company was pleased to advise the market of further progress in relation to Urquhart this quarter. In November, the Company announced that it had entered into a binding access agreement with the stakeholder in relation to the construction of a haul road connecting the Urquhart Bauxite project to the established barge loading facilities at Hey Point.

As part of the haul road access agreement, a new section 316 (s316) Mining Lease application was required to reflect the updated conditions of the access agreement. All necessary requirements for the granting of the s316 Mining Lease have been completed.

Metallica firmly believes the Queensland government remains supportive of seeing production from Urquhart as soon as practicable.

As part of the logistical arrangements required for Urquhart, a site visit was conducted of the Green Coast Resources (GCR) bauxite barging and trans-shipping operations at Hey Point.⁴ The Company is pleased to report that GCR continues to make good progress in ramping up

towards planned daily loading rates and we look forward to finalising the logistics contract to facilitate production from the Urquhart Bauxite project.

Urquhart continues to represent an attractive development opportunity as the model proposed by Metallica is low in capital intensity and allows for a rapid transition to production.

Metallica is fully funded to complete development of the Urquhart project and believes it will have little trouble finding a ready home for product from Urquhart with customers in Asia that are experienced in processing bauxite from the Weipa region.

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 ,⁵ with 6.9Mt being in the Measured and Indicated categories. 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 .

The 2016 PFS has since been updated, but Metallica continues to envisage utilising a development model that transfers risk and capital to the contractor and maximises returns for shareholders. The contract executed with LCR Group in May 2017⁶ is in keeping with this model, with costs in line with the assumptions made in the PFS.

A logistics solution for Urquhart has been identified, with bauxite from the Project to be shipped through existing infrastructure at the Hey Point port. Operations are expected to commence in the first half of calendar 2019 following the usual Northern Queensland wet season.

DEVELOPMENT AND EXPLORATION

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

Classification	Area	Mt	$\text{Al}_2\text{O}_3\%$	$\text{SiO}_2\%$	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

Urquhart Bauxite project reserves

	Area	Direct shipping Bauxite (low Temp) Dry Kt	$\text{Al}_2\text{O}_3\%$	$\text{SiO}_2\%$	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

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.

Summary of 2018 Updated PFS Results-Urquhart Bauxite project

Item	Unit	Base Case (100% Basis)	Base Case (MLM share - 50% basis)
Total Saleable Product	dry kt	6,532	3,266
Total Al_2O_3	%	52.7	52.7
Total SiO_2	%	13.3	13.3
Total Revenue	A\$m	389	195
EBITDA	A\$m	68.8	34.4
NPV ¹⁰ Pre Tax	A\$m	47.3	23.7
NPV ¹⁰ Post Tax	A\$m	33.7	20.5
IRR Post Tax		364%	469%
LOM Capital	A\$m	2.2	1.1
Avg CFR Costs*	A\$ tonne	49.08	49.08
Avg CFR Received	A\$ tonne	59.62	59.62
Payback	years	< 2 yrs	< 2 yrs

DEVELOPMENT AND EXPLORATION



CAPE FLATTERY

SILICA SANDS MLM INTEREST 100%

During the quarter the Company met with representatives from Ports North and Cape Flattery Silica Mines, a wholly owned subsidiary of Mitsubishi, to progress discussions around accessing existing port infrastructure. Cape Flattery is located in a remote part of Queensland and initial investigations into any development at Cape Flattery are likely to require access to the existing infrastructure that is owned by Ports North and Cape Flattery Silica Mines.

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 (HMS) project during the September 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 September Quarter.

With a clear focus on the Urquhart Bauxite project, regional exploration is currently on hold.

ESMERALDA

GRAPHITE MLM INTEREST 100%

No meaningful exploration work was undertaken on the Esmeralda Graphite project during the September Quarter.

Metallica intends to incrementally progress the project while continuing to focus on its strategy to become a significant bauxite producer. Unprospective areas within the tenements were relinquished during the quarter to reduce overall holding costs of the project

CORPORATE

PROPOSED MERGER WITH MELIOR RESOURCES INC TERMINATED

At the end of the December quarter, the Company announced the termination of the proposed merger with Melior Resources Inc (Melior). All items associated with the merger and termination are settled with Melior and there is no further recourse or liabilities by either party.

DIRECTOR CHANGES

During the quarter, there were a number of changes to the Board. Mr Steve Boulton advised he would not continue his tenure following the Melior merger. As a result Mr Boulton did not seek re-election at the Company's Annual General Meeting in November.⁷

Prior to Christmas, Non-Executive Chairman Peter Turnbull announced his resignation, with personal circumstances contributing to his decision. Non-Executive Director Ian Jacobson also announced his decision to resign due to the growing commitments with private interests. The Company would like to thank them both for their dedication and professionalism.⁸

Following a process, Metallica announced the appointment of Michael Hansel as Non-Executive Chairman and Alan Evans as Non-Executive Director. These appointments were made based on the extensive knowledge and experience both individuals have acquired over many years in the resources sector and associated industries.

DUE DILIGENCE ON WAGINA ASSET, SOLOMON ISLANDS

Due diligence activities on the advanced Wagina Bauxite project were halted during the quarter as South West Pacific Bauxite (HK) Ltd (SWPB), the owner of a 75% interest in the project, completed a funding round. No costs were expended by Metallica on assessing Wagina in the reporting period.⁹

It is anticipated that the due diligence process will resume following the soon to be announced general election in the Solomon Islands. As a result of the pause the repayment date of the loan and therefore exclusivity period has been extended to December 2019 at no additional cost to the Company. To date, Metallica has discovered no material issues that might deter the Company from proceeding with an acquisition of the project.

At the start of the June 2018 quarter, Metallica was granted an option to carry out exclusive due diligence on Wagina, which contains a JORC 2012 Resource of 30.1Mt at 46.9% Al_2O_3 and 3% SiO_2 , in exchange for extending a secured loan of A\$190,000 to SWPB.

Wagina was identified by Metallica through a global search and appears to fit the criteria for growth options set by the Board that they must be advanced, long-life and low cost with the potential to create significant shareholder value.

RECEIPT OF NOTICES UNDER SECTION 249D AND 203D

In October, Metallica received a notice under section 203D of the Corporations Act 2001 (Cth), which sought to convene a general meeting for the purpose of removing all the Company's directors and to pass resolutions to appoint Mr Theo Psaros, Mr Scott Waddell and Mr Andrew Gillies as directors of the Company.¹⁰

The notices were received from three shareholder entities, which together hold approximately 5.3% of Metallica's issued capital. Subsequent to quarter end, the Metallica Board released a statement addressing a number of the concerns raised by the convening shareholders. The Board remains firmly of the view that the convening shareholders represent a small minority of the Company's shareholder base and do not represent the majority of shareholder interests.

As such, Metallica recommends that all shareholders vote against the resolutions put forward by the minority shareholder group at the upcoming Extraordinary General Meeting (EGM) on 1 February 2019.

ISSUED CAPITAL

As at 31 December 2018, Metallica had 322,447,408 fully paid ordinary shares, and 1,000,000 unlisted options on issue.

FINANCIAL UPDATE

Metallica finished the December 2018 quarter with \$4.3 million in cash and remains fully funded to complete development of the Urquhart Bauxite Project.

CORPORATE

MARCH 2019 QUARTER OUTLOOK

Metallica's focus for the March Quarter is to;

- Obtain final government approvals for the haul road linking Urquhart to Hey Point;
- Advance logistical arrangements with third parties in relation to the Urquhart Bauxite project;
- Continue discussions with interested offtake partners with a view to finalising sales contracts prior to first production;
- Continue to search for and evaluate value adding acquisitions that will be able to deliver accretive growth to shareholders; and
- Resume Wagina due diligence activities following the Solomon Island general election ahead of making a decision on whether to proceed with the project acquisition.



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 a 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 a 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 a 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.

FOOTNOTES

1. See ASX Announcement
2. See ASX Announcement 2 January 2019 "Proposed merger with Melior terminated"
3. See ASX Announcement 12 September 2018 "Updated PFS Urquhart Bauxite Project"
4. See ASX Announcement 28 November 2018 "Green Coast Resources Operational Update"
5. See ASX Announcement 14 November 2017 "Significant increase to reserves at Urquhart Bauxite"
6. See ASX Announcement 22 May 2017 "Mining and Haulage Contractor appointed"
7. See ASX Announcement 19 November 2018 "Resignation of Steve Boulton"
8. See ASX Announcement 24 December 2018 "Director Appointment/Resignation"
9. See ASX Announcement 30 April 2018 "Strategic Loan to Bauxite Developer"
10. See ASX Announcement 15 October 2018 "Receipt of Section 249D" and 22 October 2018 "Section 249D Notice Invalid"

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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



APPENDIX 5B

Mining Exploration Entity and Oil and Gas Exploration Entity Quarterly Report

NAME OF ENTITY: Metallica Minerals Limited

ABN: 45 076 696 092

QUARTER ENDED "current quarter": 31 December 2018

Rule +5.5

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97,
01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Consolidated Statement of Cash Flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	42	53
1.2	Payments for		
	(a) exploration & evaluation	(33)	(47)
	(b) development	(189)	(525)
	(c) production		
	(d) staff costs	(116)	(234)
	(e) administration and corporate costs	(211)	(475)
1.3	Dividends received (see note 3)		
1.4	Interest received	28	48
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Research and development refunds		
1.8	Other (provide details if material) - Project Generation	(377)	(516)
1.9	Net cash from/(used in) operating activities	(856)	(1,696)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other		
2.6	Net cash from/(used in) investing activities	0	0

APPENDIX 5B

Consolidated Statement of Cash Flows		Current quarter \$A'000	Year to date (6 months) \$A'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		(50)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from/(used in) financing activities	0	(50)
4.	Net increase/(decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,162	6,052
4.2	Net cash from/(used in) operating activities (item 1.9 above)	(856)	(1,696)
4.3	Net cash from/(used in) investing activities (item 2.6 above)	Nil	Nil
4.4	Net cash from/(used in) financing activities (item 3.10 above)	Nil	(50)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	4,306	4,306
5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	189	1,006
5.2	Call deposits	4,117	5,046
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,306	6,052
		Current quarter \$A'000	
6.	Payments to directors of the entity and their associates		
6.1	Aggregate amount of payments to these parties included in item 1.2		
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3		
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2		

APPENDIX 5B

		Current quarter \$A'000		
7.	Payments to related entities of the entity and their associates			
7.1	Aggregate amount of payments to these parties included in item 1.2	91		
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3			
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2			
8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000	
8.1	Loan facilities			
8.2	Credit standby arrangements	Nil		Nil
8.3	Other (please specify)			
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.			
9.	Estimated cash outflows for next quarter Note:			\$A'000
9.1	Exploration and evaluation			
9.2	Development			215
9.3	Production			
9.4	Staff costs			*
9.5	Administration and corporate costs			130
9.6	Other (provide details if material) – Project Generation			230
9.7	Total estimated cash outflows			575
10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced			
10.2	Interests in mining tenements and petroleum tenements acquired or increased			

*Due to the potential staff changes, the amount of staff costs for the March 2019 quarter are not able to be estimated at this stage.

APPENDIX 5B

COMPLIANCE STATEMENT

1. This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
2. This statement gives a true and fair view of the matters disclosed.



Sign here: Company secretary

Date: 31 January 2019

Print name: John Haley

NOTES

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.