Metallica Minerals Limited

ACN 076 696 092

Interim Financial Report - 31 December 2018

Metallica Minerals Limited
Corporate directory
31 December 2018

Directors	T Psaros - Chairman A Gillies - Non-executive Director S Waddell - Executive Director
Chief Executive Officer	S Slesarewich S Waddell (Interim CEO)
Company secretary	J K Haley
Registered office and principal place of business	71 Lytton Road East Brisbane QLD 4169 Phone: (07) 3249 3000
Share register	Link Market Services Limited Level 21, 10 Eagle Street Brisbane QLD 4001 Phone: 1300 554 474
Auditor	BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000
Solicitors	HopgoodGanim Level 8, Waterfront Place, 1 Eagle Street Brisbane QLD 4001
Stock exchange listing	Metallica Minerals Limited shares and options are listed on the Australian Securities Exchange (ASX codes: MLM and MLMOA respectively)
Website	www.metallicaminerals.com.au
Corporate Governance Statement	www.metallicaminerals.com.au/corporate-governance

Metallica Minerals Limited
Directors' report
31 December 2018

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Metallica Minerals Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

Directors
The following persons were directors of Metallica Minerals Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Current:
Theo Psaros (appointed 1 February 2019)
Scott Waddell (appointed 1 February 2019)
Andrew Gillies (appointed 1 February 2019)

Former:
Steven Boulton (resigned 19 November 2018)
Peter Turnbull (resigned 21 December 2018)
Ian Jacobson (resigned 21 December 2018)
Michael Hansel (appointed 21 December 2018 and removed 1 February 2019)
Simon Slesarewich (removed 1 February 2019)
Alan Evans (appointed 21 December 2018 and removed 1 February 2019)

Principal activities
During the financial half-year the principal activities of the consolidated entity consisted of mineral exploration, evaluation and progressing development of its Urquhart Bauxite Project (UBx). There were no significant changes in the principal activities of the consolidated entity.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $2,771,108 (31 December 2017: profit of $4,642,398).

The 31 December 2017 consolidated profit includes a gain of $6,000,000 on disposal of the SCONI Project. The 31 December 2018 consolidated loss includes the following significant expenses: due diligence costs associated with the Melior merger of $755,406 (31 December 2017: nil) and fair value losses on the shares held in Australian Mines Limited of $825,000 (31 December 2017: nil).

During the half-year ended 31 December 2018 the company:

- Entered into a binding Arrangement Agreement to merge with Melior Resources Inc. (TSX-V: MLR) (Melior) and which was subsequently terminated in January 2019. An Independent Experts Report (IER) by BDO Corporate Finance (QLD) Ltd (BDO) concluded that the merger with Melior was reasonable, but not fair, for Metallica shareholders. On 2 January 2019 the company announced that the proposed merger with Melior was no longer being pursued as the Arrangement Agreement between the company and Melior had been terminated. All items associated with the termination have now been settled with Melior.
- Announced the results of the updated Pre-Feasibility Study (Updated PFS) for the company's 50%-owned Urquhart Bauxite project. The Updated PFS was independently prepared by Brisbane-based international consultancy, IMC Mining Pty Ltd.
- Entered into a binding access agreement with the stakeholder in the relation to the construction of a haul road connecting the Urquhart Bauxite project to the established barge loading facilities at Hey Point.
- Was allotted 16,811,916 shares in Australian Mines Limited (ASX: AUZ) under the SCONI Sale and Purchase Agreement. The value of the AUZ shares allotted was $1.5 million at the time of the grant. This value has reduced to $675,000 at 31 December 2018.

The company and its Joint Venture partner are continuing work on barge-loading facility access at the Urquhart Point project to enable the bauxite to be exported. This includes possible access to the third party owned Hey Point transhipping facility. At the date of these financial statements, no binding agreement or contract had been entered into for the provision of transhipping services from the Hey Point facility and failing having such agreement or contract, the commencement date for operations will be further delayed.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Metallica Minerals Limited
Directors' report
31 December 2018

Matters subsequent to the end of the financial half-year
On 2 January 2019 the company announced that the proposed merger with Melior was no longer being pursued as the Arrangement Agreement between the company and Melior had been terminated. All items associated with the termination have now been settled with Melior.

On 22 January 2019 the company amended its loan contract with Southwest Pacific Bauxite (HK) Ltd by changing the 'extended repayment date' to 16 December 2019. The company advanced a loan of $186,017 to Southwest Pacific Bauxite (HK) Ltd during the 30 June 2018 financial year.

On 1 February 2019, an Extraordinary General Meeting of the company appointed Theo Psaros, Scott Waddell and Andrew Gillies as Directors, and removed Michael Hansel, Alan Evans and Simon Slesarewich as Directors.

On 6 February 2019, the company's CEO and former Managing Director, Simon Slesarewich, was suspended from his employment with the company pending the outcome of the review of the company's administration, management and corporate costs and the reasons for the delay in bringing Urquhart Bauxite's lengthy development into production. On 7 February 2019, Mr Scott Waddell, who was appointed as a Director of the company on 1 February 2019, was appointed to the position of Interim Chief Executive Officer.

No other matter or circumstance has arisen since 31 December 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.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

On behalf of the directors

T J Psaros

Theo Psaros
Chairman

1 March 2019
Brisbane

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DECLARATION OF INDEPENDENCE BY R M SWABY TO THE DIRECTORS OF METALLICA MINERALS LIMITED

As lead auditor for the review of Metallica Minerals Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Metallica Minerals Limited and the entities it controlled during the period.

R M Swaby
Director

BDO Audit Pty Ltd

Brisbane, 1 March 2019

General information

The financial statements cover Metallica Minerals Limited as a consolidated entity consisting of Metallica Minerals Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Metallica Minerals Limited's functional and presentation currency.

Metallica Minerals Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

71 Lytton Road
East Brisbane
QLD 4169

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 1 March 2019. The directors have the power to amend and reissue the financial statements.

Metallica Minerals Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	31 Dec 2018 $	31 Dec 2017 $
Revenue	3	34,799	32,394
Other income	4	30,432	6,015,407
Interest revenue calculated using the effective interest method		52,687	31,156
Expenses			
Advertising and promotional costs		(41,035)	(55,875)
Rental expenses		(51,590)	(65,998)
Employee benefits expense		(484,016)	(446,974)
Exploration and evaluation expenditure		(117,364)	(123,905)
Depreciation and amortisation expense	9	(11,127)	(2,718)
Melior merger costs including break fee		(880,406)	-
Other project generation		-	(210,569)
Fair value losses on financial assets at fair value through profit or loss	7	(825,000)	-
Listing fees and share register expenses		(57,122)	(74,380)
Impairment of exploration and evaluation expenditure	10	(11,439)	-
Legal fees		(17,981)	(124,259)
Marketing		(57,854)	-
Airfares and conferences		(56,916)	(63,642)
Net loss on introduction of additional equity in joint operation	14	(38,500)	(225)
Professional fees		(55,773)	(59,657)
Other expenses		(135,884)	(208,256)
Finance costs		(47,019)	(101)
Profit/(loss) before income tax expense		(2,771,108)	4,642,398
Income tax expense		-	-
Profit/(loss) after income tax expense for the half-year attributable to the owners of Metallica Minerals Limited		(2,771,108)	4,642,398
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Metallica Minerals Limited		(2,771,108)	4,642,398
		Cents	**Cents**
Basic earnings per share		(0.86)	1.45
Diluted earnings per share		(0.86)	1.45

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Metallica Minerals Limited
Consolidated statement of financial position
As at 31 December 2018

	Note	31 Dec 2018 $	30 June 2018 $
Assets			
Current assets			
Cash and cash equivalents	5	4,313,733	6,113,196
Trade and other receivables	6	32,594	47,821
Financial assets at fair value through profit or loss	7	675,000	-
Other current assets	8	-	1,650,000
Total current assets		5,021,327	7,811,017
Non-current assets			
Property, plant and equipment	9	1,046,131	1,057,258
Exploration and evaluation assets	10	1,812,234	1,459,500
Other non-current assets		161,281	141,316
Total non-current assets		3,019,646	2,658,074
Total assets		8,040,973	10,469,091
Liabilities			
Current liabilities			
Trade and other payables	11	528,247	326,082
Employee benefits		145,988	117,954
Total current liabilities		674,235	444,036
Total liabilities		674,235	444,036
Net assets		7,366,738	10,025,055
Equity			
Issued capital		36,422,427	36,422,427
Reserves		8,437,656	8,324,865
Accumulated losses		(37,493,345)	(34,722,237)
Total equity		7,366,738	10,025,055

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

Metallica Minerals Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2018

	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2017	35,650,900	8,093,236	(37,917,794)	5,826,342
Profit after income tax expense for the half-year	-	-	4,642,398	4,642,398
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	4,642,398	4,642,398
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	771,526	-	-	771,526
Balance at 31 December 2017	36,422,426	8,093,236	(33,275,396)	11,240,266

	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2018	36,422,427	8,324,865	(34,722,237)	10,025,055
Loss after income tax expense for the half-year	-	-	(2,771,108)	(2,771,108)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(2,771,108)	(2,771,108)
Transactions with owners in their capacity as owners:				
Share-based payments (note 16)	-	112,791	-	112,791
Balance at 31 December 2018	36,422,427	8,437,656	(37,493,345)	7,366,738

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

Metallica Minerals Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2018

	Note	31 Dec 2018 $	31 Dec 2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		5,448	99,338
Payments to suppliers and employees (inclusive of GST)		(1,462,951)	(985,926)
		(1,457,503)	(886,588)
Interest received		73,295	28,587
Other revenue		54,402	28,641
Interest and other finance costs paid		(47,019)	(101)
Net cash used in operating activities		(1,376,825)	(829,461)
Cash flows from investing activities			
Payments for exploration and evaluation assets		(364,173)	(281,459)
Payments for security deposits		(19,965)	-
Proceeds from disposal of SCONI Project		-	4,500,000
Net cash (outflow)/inflow from additional capital introduced in joint operation		(38,500)	(225)
Proceeds from release of security deposits		-	7,499
Net cash from/(used in) investing activities		(422,638)	4,225,815
Cash flows from financing activities			
Proceeds from issue of shares net of transaction costs		-	771,526
Net cash from financing activities		-	771,526
Net increase/(decrease) in cash and cash equivalents		(1,799,463)	4,167,880
Cash and cash equivalents at the beginning of the financial half-year		6,113,196	3,737,143
Cash and cash equivalents at the end of the financial half-year	5	4,313,733	7,905,023

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Note 1. Significant accounting policies (continued)

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

New or amended Accounting Standards and Interpretations adopted
New and revised standards have been issued by the AASB and are effective for the half year, however there are no material changes to the policies that affect measurement of the results or financial position of the entity.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments
The consolidated entity has adopted AASB 9 from 1 July 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.

Note 1. Significant accounting policies (continued)

At the date of initial application (1 July 2018) the consolidated entity assessed that there were no classification, measurement and impairment adjustments required to any of its financial assets and liabilities.

'Interest revenue' is no longer included in the 'Revenue' note and is now shown separately on the face of the statement of profit or loss and other comprehensive income, resulting in a reclassification of $31,156 for the half-year ended 31 December 2017.

AASB 15 Revenue from Contracts with Customers
The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period. As the consolidated entity does not have any significant revenue contracts with customers, the standard has had no impact on the financial performance or position of the consolidated entity.

Going concern
For the half-year ended 31 December 2018 the consolidated entity incurred a loss of $2,771,108 before income tax and net cash outflows from operating activities of $1,376,825.

The Directors have concluded that the going concern basis of preparation of the financial statements is appropriate and any uncertainty regarding going concern is mitigated by the following:
- At 31 December 2018 the consolidated entity had net current assets of $4,347,092 and total net assets of $7,366,738. Cash and cash equivalents at 31 December 2018 amounted to $4,313,733.
- On 6 July 2018 the company was allotted 16,811,916 shares in Australian Mines Limited (ASX code: AUZ) under the SCONI Sale and Purchase Agreement (refer note 4). The value of the AUZ shares allotted was $1,500,000 and their fair value at 31 December 2018 was $675,000. As at the date of this report, 6.6 million shares in AUZ have been sold for a consideration of $375,000.

Based on the above, the Directors are of the opinion that at the date of signature of the financial report there are reasonable and supportable grounds to believe that the consolidated entity will be able to meet its liabilities from its assets in the ordinary course of business, for a period of not less than 12 months from the date of this financial report and has accordingly prepared the financial report on a going concern basis.

Note 2. Operating segments

Identification of reportable operating segments
The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the parent entity’s Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The consolidated entity is managed primarily on a geographic basis that is the location of the respective areas of interest (tenements) in Australia. Operating segments are determined on the basis of financial information reported to the Board which is at the consolidated entity level.

The consolidated entity does not have any products/services it derives revenue from on an ongoing basis.

Management currently identifies the consolidated entity as having only one operating segment, being exploration and development of mine projects in Australia. All significant operating decisions are based upon analysis of the consolidated entity as one segment. The financial results from the segment are equivalent to the financial statements of the consolidated entity as a whole.

Note 3. Revenue

	31 Dec 2018 $	31 Dec 2017 $
Revenue from contracts with customers		
Sale of goods	10,829	19,160
Other revenue		
Other revenue	23,970	13,234
Revenue	34,799	32,394

Note 4. Other income

	31 Dec 2018 $	31 Dec 2017 $
Net gain on disposal of SCONI Project*	-	6,000,000
Other	30,432	15,407
Other income	30,432	6,015,407

* In September 2017, the company entered into an agreement (which was varied in December 2017) under which the Company disposed of its interest in the SCONI Project for $6,000,000 in cash and shares (exclusive of GST) to Australian Mines Limited (ASX code: AUZ). A further $5,000,000 in cash or AUZ shares will become due if commercial production commences from SCONI.

The company received cash funds of $4,500,000 (exclusive of GST) in the year ended 30 June 2018. The Company has also been allotted AUZ shares to the value of $1,500,000 (exclusive of GST) in July 2018. The SCONI Project had a nil carrying value at the date of disposal, and as a result the company recognised a net gain on disposal of $6,000,000 (being the $4,500,000 cash received, and the $1,500,000 in AUZ shares receivable) in the half-year ended 31 December 2017.

The Company has subsequently revalued the AUZ shares to $675,000 as at 31 December 2018. Refer to Note 7 for details.

Note 5. Current assets - cash and cash equivalents

	31 Dec 2018 $	30 June 2018 $
Cash on hand	50	50
Cash at bank	195,950	533,690
Cash on deposit	4,117,733	5,579,456
	4,313,733	6,113,196

Note 6. Current assets - trade and other receivables

	31 Dec 2018 $	30 June 2018 $
Trade receivables	24,274	19,946
Loans to other parties	186,017	186,017
Less: Allowance for expected credit losses	(186,017)	(186,017)
	-	-
Other receivables	3,372	3,405
Interest receivable	3,862	24,470
BAS receivable	1,086	-
	32,594	47,821

Note 7. Current assets - financial assets at fair value through profit or loss

	31 Dec 2018 $	30 June 2018 $
Ordinary shares - designated at fair value through profit or loss	675,000	-

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial half-year are set out below:

Opening fair value	-	-
Additions	1,500,000	-
Revaluation decrements	(825,000)	-
Closing fair value	675,000	-

The ordinary shares consist of 16,811,916 shares in Australian Mines Limited (ASX: AUZ) that were allotted to Metallica under the SCONI Sale and Purchase Agreement (refer note 4). The value of the AUZ shares allotted (based on the 30 day volume weighted average price (VWAP) for AUZ) was $1.5 million, with the number of shares allotted also based on this VWAP.

Note 8. Current assets - other current assets

	31 Dec 2018 $	30 June 2018 $
Deferred sale proceeds - SCONI Project	-	1,650,000

The deferred sale proceeds at 30 June 2018 represented the Consideration Shares plus GST, to be granted to Metallica in connection with the disposal of the SCONI Project (refer note 4).

Note 9. Non-current assets - property, plant and equipment

	31 Dec 2018 $	30 June 2018 $
Plant and equipment - at cost	1,022,776	1,022,776
Less: Accumulated depreciation	(818,100)	(806,973)
Less: Impairment	(158,545)	(158,545)
	46,131	57,258
Motor vehicles - at cost	47,539	47,539
Less: Accumulated depreciation	(47,539)	(47,539)
	-	-
Capital works in progress	2,638,837	2,638,837
Less: Impairment	(1,638,837)	(1,638,837)
	1,000,000	1,000,000
	1,046,131	1,057,258

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Plant and Equipment $	Capital works in progress $	Total $
Balance at 1 July 2018	57,258	1,000,000	1,057,258
Depreciation expense	(11,127)	-	(11,127)
Balance at 31 December 2018	46,131	1,000,000	1,046,131

Capital works in progress represents Metallica's share of the jointly held assets in the Oresome Joint Venture (JV), that comprises costs incurred on the construction of a Heavy Minerals Sands (HMS) plant. The JV has deferred construction of the HMS processing plant and the JV is currently evaluating options in relation to the plant.

Note 10. Non-current assets - exploration and evaluation assets

	31 Dec 2018 $	30 June 2018 $
Exploration and evaluation - at cost	1,812,234	1,459,500

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Exploration and evaluation $	Total $
Balance at 1 July 2018	1,459,500	1,459,500
Additions	364,173	364,173
Impairment of assets	(11,439)	(11,439)
Balance at 31 December 2018	1,812,234	1,812,234

Note 11. Current liabilities - trade and other payables

	31 Dec 2018 $	30 June 2018 $
Trade payables	400,834	100,967
BAS payable	-	138,472
Other payables	127,413	86,643
	528,247	326,082

Note 12. Contingent assets

In respect of the disposal of the SCONI Project in September 2017 (refer Note 4), additional consideration of $5,000,000 in cash or shares in Australian Mines Limited (the Production Payment), will be payable to the Group on commencement of commercial production. This additional consideration has not been recognised in the 31 December 2018 half-year financial statements, as the receipt of the additional consideration is not virtually certain. The commencement of commercial production from the Project requires favourable commodity prices and markets, availability of funding and various government approvals.

Note 13. Contingent liabilities

There have been no changes to the contingent liabilities noted in the 2018 annual financial report.

Note 14. Interests in joint operations

The consolidated entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications. Information relating to joint operations that are material to the consolidated entity are set out below:

		Ownership interest	
Name	Principal place of business / Country of incorporation	31 Dec 2018 %	30 June 2018 %
Oresome Joint Venture	Australia	50.00%	50.00%

On 1 August 2014 Metallica Minerals Limited executed a joint venture (JV) agreement with a private Chinese investor. The JV is between Oresome Australia Pty Ltd (a wholly owned subsidiary of Metallica Minerals Ltd) and Ozore Resources Pty Ltd (Ozore) (wholly owned by the Chinese investor). Under the JV agreement, Ozore has paid a total of A$7,500,000 to develop the company's Urquhart Point HMS Project including construction of a Heavy Mineral Sands (HMS) plant in South Africa, and explore for other Heavy Mineral Sands and Bauxite deposits on its tenements on the western side of Queensland's Cape York Peninsula. The HMS plant arrived in Australia in December 2015 and is currently in storage. Given the continuing low heavy mineral sand prices, the JV has deferred construction of the HMS processing plant and the JV is currently evaluating options in relation to the plant.

The Oresome joint arrangement is classified as a joint operation under Australian Accounting Standards. Metallica Minerals Limited recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

During the half year ended 31 December 2018, Ozore and Metallica contributed additional capital of $412,025 and $489,024 respectively. Consequently, Metallica has recognised a net cash outflow of $38,500 in the statement of cash flows, which represents Ozore's share of the additional cash contributed by Metallica.

Note 15. Events after the reporting period

On 2 January 2019 the company announced that the proposed merger with Melior was no longer being pursued as the Arrangement Agreement between the company and Melior had been terminated. All items associated with the termination have now been settled with Melior.

Note 15. Events after the reporting period (continued)

On 22 January 2019 the company amended its loan contract with Southwest Pacific Bauxite (HK) Ltd by changing the 'extended repayment date' to 16 December 2019. The company advanced a loan of $186,017 to Southwest Pacific Bauxite (HK) Ltd during the 30 June 2018 financial year.

On 1 February 2019, an Extraordinary General Meeting of the company appointed Theo Psaros, Scott Waddell and Andrew Gillies as Directors, and removed Michael Hansel, Alan Evans and Simon Slesarewich as Directors.

On 6 February 2019, the company's CEO and former Managing Director, Simon Slesarewich, was suspended from his employment with the company pending the outcome of the review of the company's administration, management and corporate costs and the reasons for the delay in bringing Urquhart Bauxite's lengthy development into production. On 7 February 2019, Mr Scott Waddell, who was appointed as a Director of the company on 1 February 2019, was appointed to the position of Interim Chief Executive Officer.

No other matter or circumstance has arisen since 31 December 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.

Note 16. Share-based payments

1,000,000 share rights that were granted to Simon Slesarewich (former Managing Director) on 2 July 2017 vested on 2 July 2018.

The total expense arising from share-based payment transactions recognised during the period as part of employee benefits expense was $112,791 (31 December 2017: nil).

Metallica Minerals Limited
Directors' declaration
31 December 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Theo Psaros
Chairman

1 March 2019
Brisbane

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Metallica Minerals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Metallica Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

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 Group's financial position as at 31 December 2018 and its financial 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 the Group, 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.

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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd

BDO

R M Swaby
Director

Brisbane, 1 March 2019