METALLUM LIMITED
(formerly MINING GROUP LIMITED)
ABN 73 149 230 811

Annual Financial Report

2014

TABLE OF CONTENTS

DIRECTORS

Mr Winton Willesee - Non-Executive Chairman
Mr Zeffron Reeves - Managing Director
Mr Robert Butchart - Non-Executive Director
Mr Colin Johnstone - Non-Executive Director

COMPANY SECRETARY

Ms Shannon Coates

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

Suite 1, Ground Floor
83 Havelock Street
West Perth WA 6005

CONTACT DETAILS

Website: www.metallum.com.au
Email: admin@metallum.com.au
Phone: + 61 (8) 9322 4328
Fax: + 61 (8) 9322 5230

SOLICITORS TO THE COMPANY

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6005

SHARE REGISTRY

Automic Registry Services
Level 1
7 Ventnor Ave
WEST PERTH WA 6005
Phone: +61 (8) 9324 2099
Fax: +61 (8) 9321 2337

AUDITORS

RSM Bird Cameron Partners
8 St Georges Terrace
PERTH WA 6000

SECURITIES EXCHANGE

Australian Securities Exchange
Exchange Plaza
2 The Esplanade
PERTH WA 6000

(ASX: MNE, MNEOB)

The Directors of Metallum Limited (formerly Mining Group Limited) ("Metallum" or "the Company") submit herewith the financial report of the Company and its subsidiaries (the "Group") for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names of the Directors in office at any time during or since the end of the year are:
Mr Winton Willesee - Non-Executive Chairman
Mr Zeffron Reeves - Managing Director
Mr Robert Butchart - Non-Executive Director
Mr Colin Johnstone - Non-Executive Director

The Directors have been in office since the beginning of the financial year to the date of this report.

COMPANY SECRETARY

Ms Shannon Coates

PRINCIPAL ACTIVITIES

Metallum Limited is an ASX listed company, incorporated in Australia. The principal activities of the Company and its subsidiaries are the acquisition, exploration and development of commercially significant resource projects in Australia and overseas. The Company currently holds interests in the El Roble and Panga mine projects in Chile ("El Roble Project") and the Comval project in the Philippines ("Comval Project"), all of which are prospective for copper and gold, and the West Australian based Teutonic project ("Teutonic Project"), which is prospective for gold and base metals.

During the year, the Group conducted mineral exploration and evaluation activities on its Chilean and West Australian based projects.

OPERATING RESULTS

The loss of the Group after providing for income tax amounted to $3,728,668 (2013: $11,376,877) after eliminating non-controlling equity interests.

DIVIDENDS PAID OR RECOMMENDED

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

REVIEW OF OPERATIONS

El Roble Project, Chile (Option to acquire 90%)

On 15 August 2013, the Company announced it had entered into an exclusive option to acquire up to 90% of the El Roble Project in Chile. This signalled a change in strategic direction for the Company, with the focus shifting from the Comval Project in the Philippines. El Roble has the potential to produce near-term cash flows for the Company via small-scale, high-grade copper mining, which may enable the Company to become self-funded for its future exploration and development activities, and also fund the staged acquisition costs of the project.

The El Roble Project is located in the IOCG Coastal Cordillera Belt of Chile, approximately 30 kilometres from the port of Caldera (Figure 1). The project covers approximately 7,800 hectares and was being actively mined on a small scale by local “piqueneros”, with copper bearing material trucked at grades of more than 6% copper. This material is treated at one of the two toll treatment plants located within 80 kilometres by road of the project.

Copper mineralisation at El Roble has been identified in numerous strike extensive vein structures within a 6 kilometre by 2.5 kilometre corridor, where the geology is exposed above the sand dune cover. Prior to acquisition by Metallum, the area had never been subject to modern exploration techniques. The El Roble Project is considered to be an IOCG style system and is located adjacent to the Atacama Fault system, a major regional structure thought to control the occurrence of numerous major copper, gold and iron ore deposits in the region. The project is prospective for high-grade, vein-hosted copper and gold mineralisation as well as larger, lower grade copper gold deposits similar to others in the region including Candelaria and Mantos Verde (Figure 1). It is estimated to have produced between 500,000 tonnes and 1 million tonnes of copper-bearing ore at a cut-off grade of 9% copper during the latter half of the 19th century.

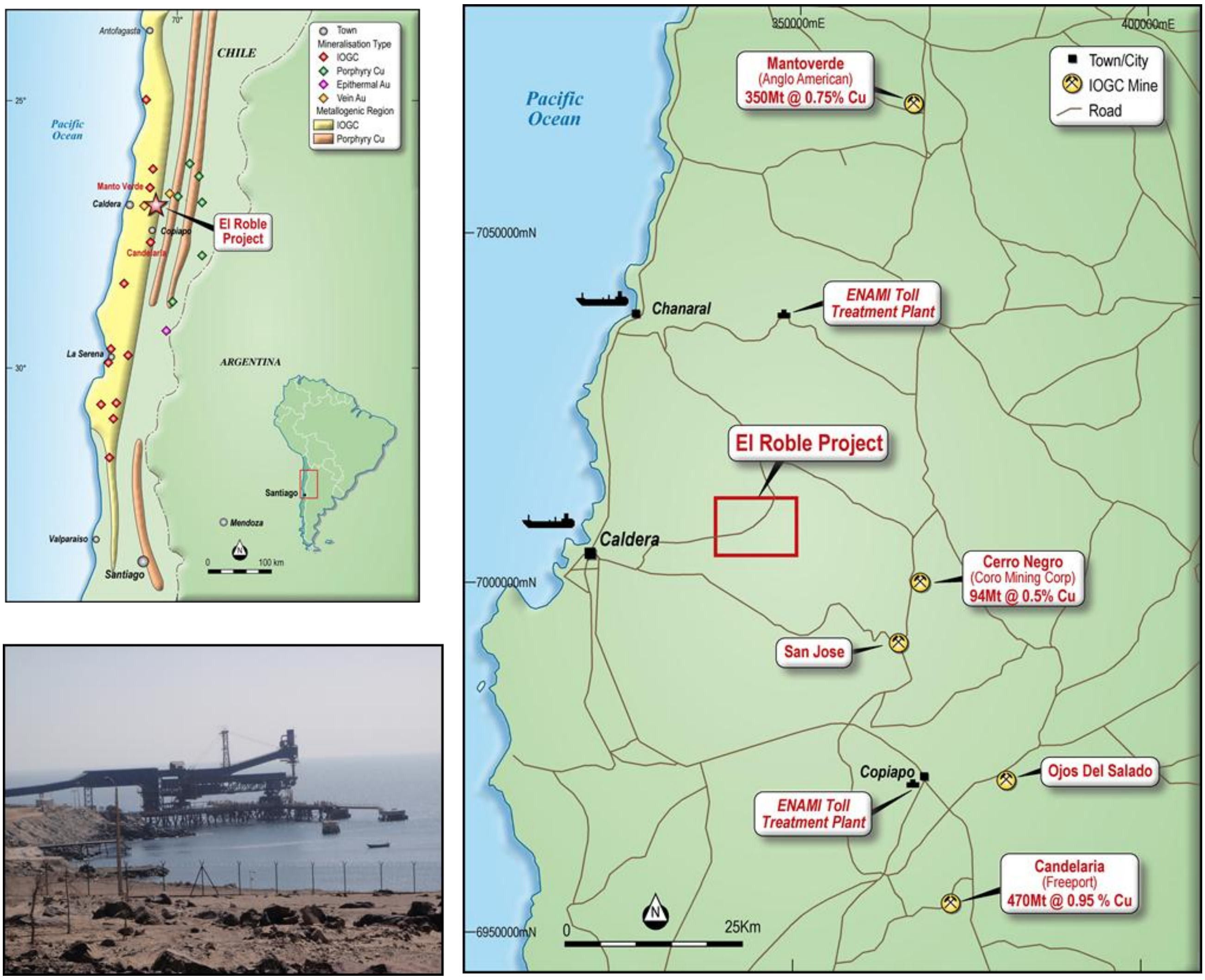

Figure 1 – El Roble Project location map, showing proximity to two toll treatment plants.

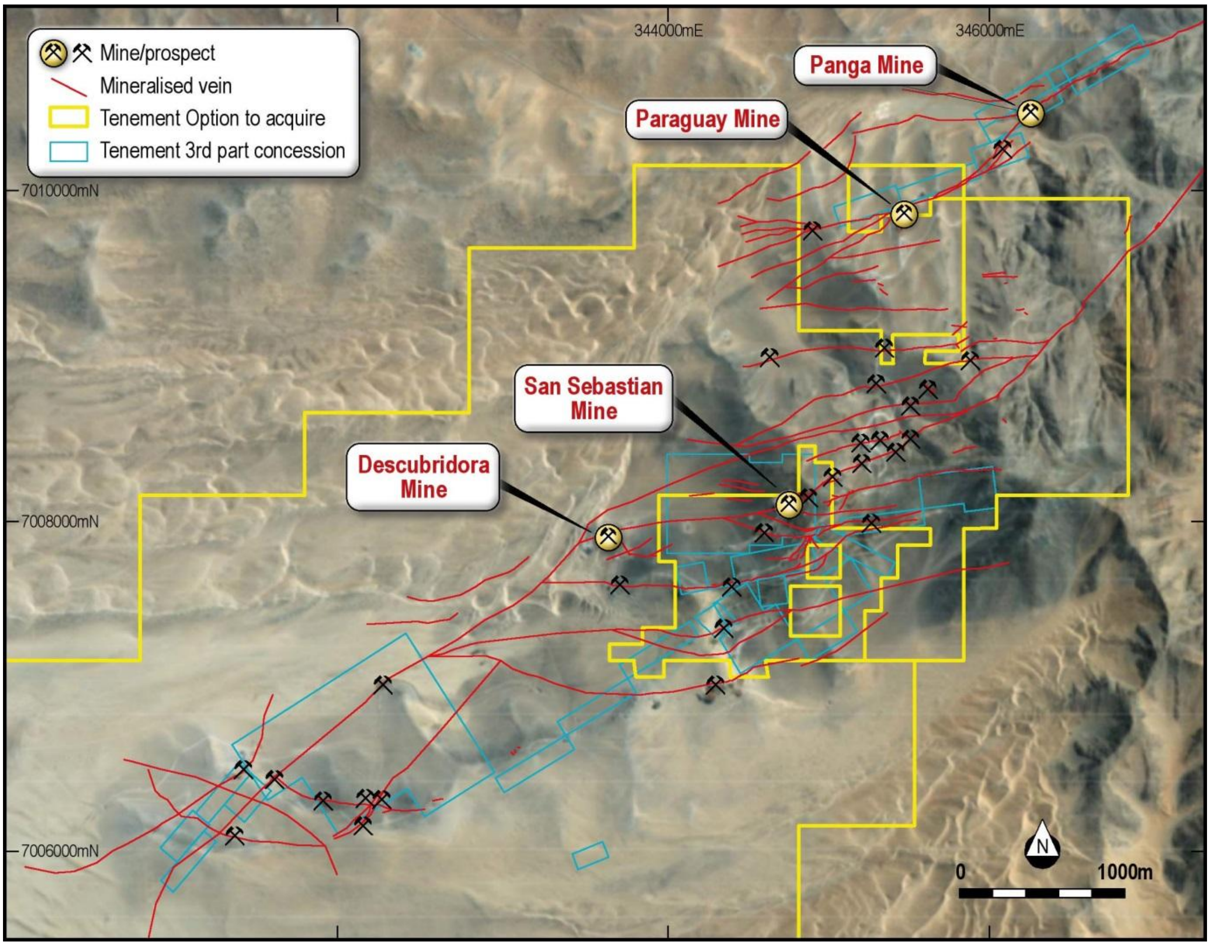

Figure 2 – El Roble Project location map showing Panga, Descubridora, Paraguay and San Sebastian mines within the north east sector of the project where the mineralised vein system is exposed through the surrounding shallow sand dune cover.

During the year, as part of technical due diligence work at El Roble, the Company conducted surface and underground mapping and sampling, and detailed surveying in selected underground mine areas.

A total of 194 samples were collected from surface work, which were assayed for copper, gold and a suite of multi-elements. Samples were collected systematically across the project area in order to assess the location and mineralisation contained in the numerous outcropping copper, gold and iron oxide veins mapped across the property.

Grades of up to 20.46% Cu and 13.50g/t Au were identified in mineralised structures from individual samples[1]. Structures varied in width from less than 0.50 metre to more than 5 metres where sampling work was completed. Surface mapping and sampling was only conducted where exposed veins and geology are visible, over an approximate 5 to 6 kilometre strike length. Over 50% of the interpreted strike extent of the mineralising system is covered by widespread sand dunes, with the entire system within the project area potentially having a strike length in excess of 10 kilometres.

A total of 185 samples were collected from numerous underground adits and analysed for copper, gold and a suite of multi-elements. The sampled areas were also geologically mapped and detailed surveying was completed to assess the potential of these areas for future small-scale mining. The work confirmed and identified the high-grade nature of the mineralisation, which formed well developed ore shoots within structurally controlled sites along major vein structures. Results of up to 11.19% Cu

[1] ASX announcement 15 August 2013

and 1.79 g/t Au were returned from individual samples and results of this work were used for future drill planning and assessment of any potential future mining activities.[2]

Further underground and stockpile sampling at the El Roble Project, announced to ASX on 4 October 2013, confirmed ultra-high grade copper mineralisation along strike and down dip, including:

- Stockpile sampling from ore mined from ore drive floor grading up to 29.02% Cu and 2.78g/t Au and 14.62% Cu and 2.00g/t;
- 0.7m @ 11.19% Cu and 0.13g/t Au;
- 1.60m @ 5.76% Cu and 0.77g/t Au;
- 3.20m @ 4.61% Cu and 0.22g/t Au including 1.00m @ 11.09% Cu and 0.58g/t Au; and
- 1.10m @ 4.37% Cu and 0.70 g/t Au.

Vein continuity and grade below surface was confirmed and surface mapping confirmed vein widths up to 12 metres. It was also established that mineralised veins contain significant amounts of iron, cobalt and molybdenum.

Extensive surface mapping and sampling continued in the December 2013 quarter, as well as commencement of a maiden drill campaign and an extensive detailed ground magnetics survey. Underground adits, both active and abandoned, were accessed for assessment of exposed vein mineralisation. This aimed to help the Company identify the most prospective areas readily accessible for mining high-grade copper ore.

The Company's maiden drill campaign at El Roble took place in November and December 2013 and was designed to test four major strike extensive veins within the project area for continuity along strike at the current (Descubridora and Veta Gruesa, currently mined by a third party) and historic (Panga and Bellavista) mine areas.There were four holes drilled at Descubridora and Veta Gruesa, three drilled at Panga and two at Bellavista.

Assay results received from Descubridora confirmed the high-grade nature of the copper mineralisation as well as returning high gold and silver results, with molybdenum and cobalt present in potentially economic amounts. The results also demonstrated that the Descubridora vein mineralisation continues at least 100 metres below and 100 metres to the south-west of the current small-scale operating mine. The highlights from the drill results at Descubridora, announced to ASX on 11 December 2013, included:

- 1.00m @ 4.74% Cu, 0.73g/t Au, 5.00g/t Ag, 830ppm Mo, 1510ppm Co from 133.90m;
- 4.00m @ 0.60% Cu, 7.96g/t Au, 2.75g/t Ag, 70.00ppm Mo, 290.00ppm Co from 139.90m including 1.00m @ 0.10% Cu, 30 g/t Au, 4.00g/t Ag, 10ppm Mo, 500ppm Co; and
- 0.95m @ 6.24% Cu, 0.79g/t Au, 39.00g/t Ag, 30ppm Mo, 330ppm Co from 145.40m.

These demonstrated that a significant mineralised alteration zone exists around the high-grade, copper-bearing veins, which has the potential to add to the economics of the deposit. Assays returned wide lower grade results through this alteration zone:

- 15.90m @ 0.79% Cu, 2.14g/t Au, 2.17g/t Ag, 95.91ppm Mo and 281.13 ppm Co from 128.00m; and
- 7.60m @ 1.47% Cu, 0.14g/t Au, 7.44g/t Ag, 17.50ppm Mo, 233.75ppm Co from 145.40m[3].

[2] ASX announcement 11 December 2013.

[3] ASX announcement 11 December 2013.

The Company also completed a detailed ground magnetics survey at El Roble covering approximately 12.87 square kilometres. The survey successfully delineated and confirmed mapped mineralised structures as well as identifying previously unknown structures for further testing. The magnetics survey also demonstrated the large scale and continuity over large strike distances of the mineralised structures at the El Roble Project, as well as highlighting a number of potential, large IOCG style targets within the property.

Panga Mine

The Company signed its first production agreement, covering the historic Panga underground mine in the December 2013 quarter. This agreement gave the Company access to the Panga concessions and the ability to extract up to 5,000 tonnes per month of copper bearing material once an appropriate licence to operate was obtained from the regulatory authority. This material can be trucked and sold to the local government-owned toll treatment plants.

In the March 2014 quarter, the Company commenced a trial of open-pit production at Panga as it worked towards extraction of first bulk material to truck to a nearby toll treatment facility. It commenced a detailed assessment of the vein after completing underground mapping, sampling, surveying and diamond drilling. The open pit trial was not continued due to the close proximity to surface of historical underground workings making open pit extraction unsafe. As a result, the decision was made to begin trial mining underground at Panga, which commenced in early March 2014.

Underground work consisted of the installation of along-strike development drives within the mineralised vein on two levels, the 966m level and the 956m level. The existing underground mine required some minor rehabilitation and waste development in order to safely access below the historic mined out zones. The planned underground development was designed to encounter the interpreted depth extensions of the historically mined areas where the mined width has been observed to average approximately 3.00 metres.

In April 2014, the Company obtained a 5,000 tonne per month mining licence for the Panga Mine from the Chilean mining regulatory authority, SERNAGEOMIN.[4]

Metallum commenced trucking copper-bearing material from Panga to the ENAMI Manual Antonio Matta Plant, Copiapo in July 2014.

The Company plans to increase deliveries as it progresses vertical mining (stoping) of the 956S stoping areas at Panga. This has been Metallum's main focus at Panga to date, where it delineated the first stoping panel within a high-grade copper zone averaging 4.22% Cu[5]. The zone is approximately 12 metres in strike length and averages between 1.00 metre and 2.20 metres in width. The Company established the first stoping area on this mineralisation and is currently extracting copper bearing material from this stope. The 956S level is also being advanced further toward the main target areas below the historic stopes (Figure 3).

[4] It should be noted that the extraction of 5,000 tonnes of copper-bearing rock per month from Panga Mine is not a production target.

[5] ASX announcement 16 July 2014.

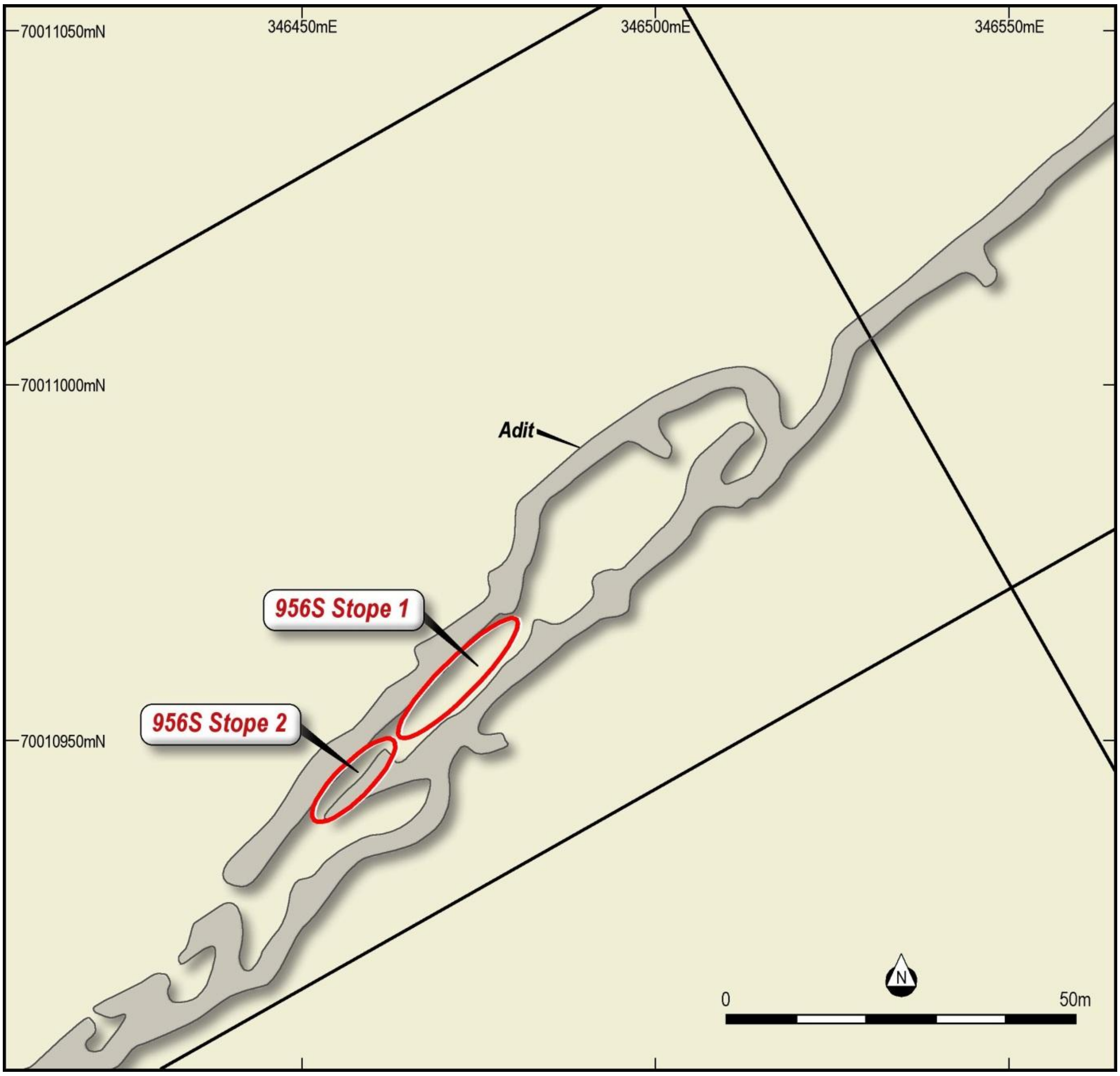

Figure 3 – Level plan of the Panga mine 956S level and stope locations. Material is being extracted from these two stopes and being delivered to the local toll treatment plants. The distance between tunnels is approximately 18m, average vein width is 1.50m, Stope 1 is 15m long and Stope 2 is 10m long.

Other activities carried out at Panga during the June 2014 quarter included the installation of a 30 metre high ventilation shaft between the 956S and 975 levels. Metallum is advancing the 956S development drive further to the south-west to intersect the interpreted down-dip extensions of the historically mined stopes. The development rate during the June quarter was reduced due to the installation of the ventilation shaft and production shafts in preparation for stoping. The Company believes that an additional stoping panel can be delineated as the drive is advanced to provide additional tonnage to be mined from Panga.

Metallum also undertook further grade control sampling at Panga during the quarter, with results announced to ASX on 30 April 2014 including:

- 2.40m @ 8.55% Cu and 2.90g/t Au (entire width of the ore drive); and
- 1.00m @ 5.33% Cu and 0.11 g/t Au.

Paraguay Mine

The Paraguay mine is 1 kilometre south-west of the Panga mine (Figure 2) and consists of a single, approximately 80 metre long strike drive following the mineralised vein, which is the south-west extension of the Panga vein. The Paraguay underground workings consist of an access cross cut developed in barren wallrock and an along-strike drive within the mineralised vein, on a single level, following the copper-bearing vein for approximately 90 metre along strike.

The Company completed first-pass and follow up sampling at the Paraguay adit during the March 2014 quarter as part of its assessment of targets with a view to identifying another mine area to develop on a small scale. It found the adit was on average 2.20 metres wide and 2.20 metres high and the vein was variably exposed in the backs (roof) of the adit.

The Company initially sampled the vein from 12 channels installed approximately perpendicular to the strike of the vein across the backs, with spacing between each channel being a nominal 7.50 metres. Results released to ASX on 18 February 2014 included:

- 0.6m@ 6.01% Cu, 0.44/t Au, 0.5 g/t Ag, 9865ppm Co, 15.03% Fe, including 0.30m @ 10.89% Cu, 0.40g/t Au, 0.5g/t Ag, 18350ppm Co, 8.50% Fe; and
- 1.40m @ 4.33% Cu, 0.47g/t Au, 0.64g/t Ag, 2896 ppm Co, 20.26% Fe.

Broad-spaced sampling identified the development of two high-grade oreshoots within the vein structure, indicating the potential of the Paraguay adit to provide an additional high-grade ore source from small-scale mining operations.

Follow-up close-spaced channel sampling was then undertaken, confirming grade continuity over 30 metres along strike and delineating a high-grade copper zone. Results, released to ASX on 14 March 2014, included:

- 2.10m @ 6.89% Cu, 0.57g/t Au, 2815ppm Co and 16.36% Fe including 1.50m @ 8.59% Cu, 0.69g/t Au, 3657ppm Co and 13.30% Fe and 0.5m @ 17.20% Cu, 0.88g/t Au, 3230ppm Co and 13.70% Fe; and
- 1.50m @ 6.92% Cu, 0.40g/t Au, 4103ppm Co and 14.93% Fe including 1.00m @ 9.74% Cu, 0.39g/t Au, 3120ppm Co and 12.90% Fe.

As a result of identifying this high-grade copper mineralisation at Paraguay, the Company commenced negotiations to access Paraguay to commence small-scale mining operations. It signed a production lease agreement over Paraguay in late May 2014, giving Metallum exclusive access to mine on the Paraguay concession, consisting of approximately 5 hectares and covering 500 metres of the strike extent of mapped copper-bearing vein, once an operating licence has been granted.

Metallum commenced mine planning and permitting work at the Paraguay mine, including a full geotechnical assessment, detailed planning, scheduling and budgeting in order to commence underground mining activities as soon as possible. The Company submitted all permitting documentation to government authorities to obtain an operating licence to extract up to 5,000 tonnes of copper-bearing material per month, and it expects to receive this during the December 2014 quarter.[6]

The Company has delineated an approximately 40 metre long strike zone of well mineralised copper-bearing vein at Paraguay (Figure 4) available to immediately commence stoping activities when Metallum is granted an operating licence.

[6] It should be noted that the extraction of 5,000 tonnes of copper-bearing rock per month is not a production target.

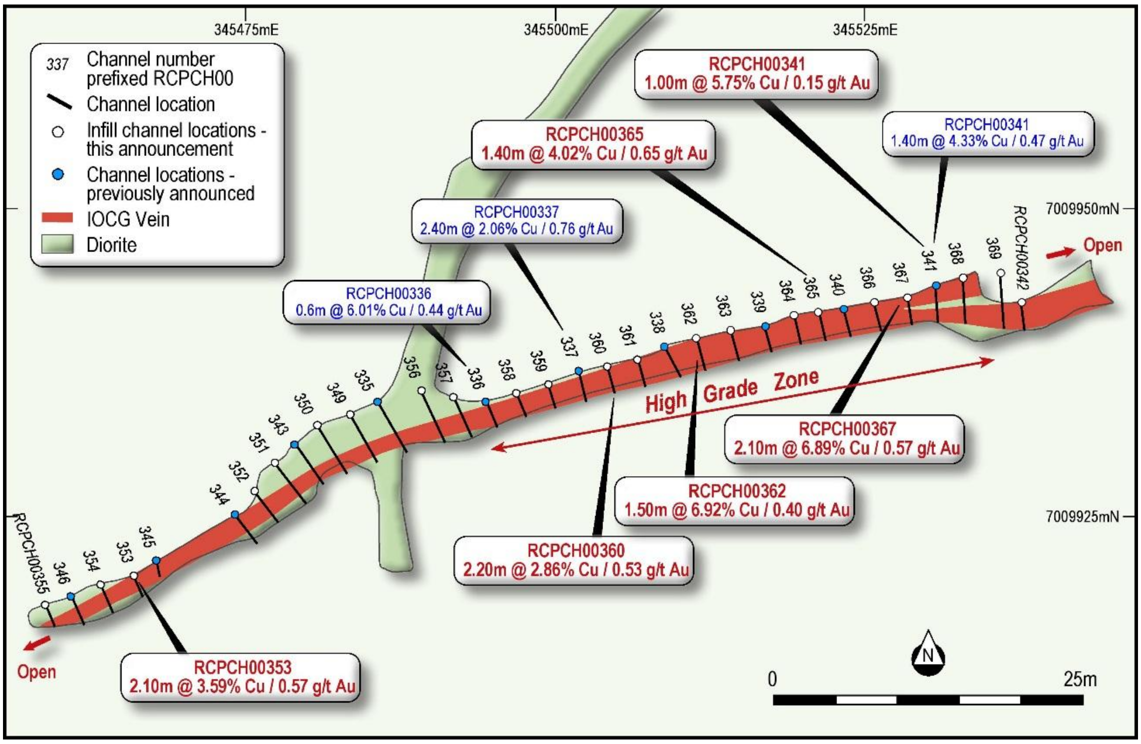

Figure 4 – Plan view of the Paraguay mine showing high-grade results. Results in red announced to ASX on 18 February 2014, results in blue announced 14 March 2014.

Descubridora Mine

The Descubridora mine, 5 kilometres south of Panga, is currently mined on a small scale by the project owner. The Descubridora vein is accessed via the installation of along-strike drives (underground tunnels) with typical dimensions of 2.20 metres in height by 2.20 metres in width.

Underground face sampling on adit development faces at Descubridora in February 2014 returned high-grade copper up to 7.73% Cu, 4.99g/t Au and up to 1.84% Co (ASX announcement 13 February 2014):

- 2.80m @ 4.80% Cu, 1.63g/t Au, 10.43g/t Ag, 760ppm Co, 15.03% Fe including 0.80m @ 7.73% Cu, 1.70g/t Au, 4.00g/t Ag, 610ppm Co, 15.05% Fe;
- 2.40m @ 4.45% Cu, 0.56g/t Au, 0.67g/t Ag, 8296ppm Co, 12.80% Fe including 0.50m @ 7.25% Cu, 1.45g/t Au, 0.50g/t Ag, 7920ppm Co, 17.40% Fe; and
- 2.40m @ 3.86% Cu, 2.37g/t Au, 4.83g/t Ag, 763ppm Co, 18.77% Fe.

Further results released to ASX on 19 March 2014 included:

- 2.30m @ 3.54% Cu, 3.83g/t including 0.80m @ 8.28g/t Au;
- 2.10m @ 1.66% Cu, 4.60g/t Au including, 0.80m @ 7.30g/t Au;
- 2.50m @ 2.24% Cu, 4.44g/t Au including 0.50m @ 11.80g/t Au; and
- 1.00m @ 7.95% Cu, 1.34g/t Au.

This highlighted the high-grade nature of the Descubridora vein, which has proven mineralisation over an approximate 200 metre strike length and 115 metres below existing workings, with the entire vein structure having been mapped for more than 2.5 kilometres on surface.

The high-grade mineralised zones were encountered within the mine workings and observed up to a true width of 4.00 metres, persisting for approximately 60 metres along strike within the main mineralised zone, where the owner has focussed mining activities. Mineralisation from the high-grade zone sampled by the Company returned grades of up to 34.40% Cu and 11.80g/t Au[7].

El Roble Project cost estimates

MEC Mining and Minotaur Pro SpA JV assisted the Company to complete an internal cost study to determine overall mining costs and viability for the extraction of 5,000 tonnes of copper-bearing rock per month in an underground mining operation at El Roble.

Development costs were estimated to be US$54/tonne for the installation of horizontal drives along the strike of the mineralised veins. Stoping costs are estimated to be US$30.50/tonne for production stoping activities carried out between levels. These costs include trucking to the ENAMI plant and site administration costs.

Exploration Target

On 19 March 2014, the Company presented an Exploration Target for the Descubridora and Panga Mine areas of between 750,000t to 1,000,000t grading 2%-4% Cu*, comprised of:

- Descubridora Exploration Target – 370,000t – 560,000t grading 2%-4% Cu
- Panga Exploration Target – 380,000t – 440,000t grading 2%-4% Cu

** The potential quantity and grade is conceptual in nature. There has been insufficient exploration drilling to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.*

This Exploration Target was estimated based upon the work the Company has completed at these two areas, which included detailed systematic surface and underground mapping and channel sampling and drilling below the current underground mine workings. The Exploration Target was estimated utilising an average a specific gravity (SG) of 3.00 t/m3 determined the average density from independent laboratory analysis of mineralised samples.

The Descubridora target tonnage calculation was based upon a strike length of 400 metres, depth of 200 metres and vein width of between 2.00 metres and 2.25 metres. To date, the Company has intersected the mineralised structure 120 metres below the current mine workings.

The Panga target tonnage is calculated upon a strike length of 400 metres, depth to 150 metres and vein width between 2.00 metres and 2.50 metres. To date, the Company has mapped and sampled underground workings to over 200 metres below the topographical surface and intersected the mineralised structure up to 30 metres below those workings.

The grade range estimated in the Exploration Target is based upon copper grades obtained from drilling and underground sampling through mineralised zones where copper assay grades range from 1% Cu to more than 30% Cu.

The Exploration Target takes no account of geological complexity, possible mining method or metallurgical recovery factors. It is acknowledged that the currently available data is insufficient spatially in terms of the density of drill holes and sampling, and

[7] ASX announcements 4 March 2014 and 19 March 2014.

in quality, in terms of the Company's final audit of procedures for down hole data, data acquisition and processing, for the results of this analysis to be classified as a Mineral Resource in accordance with the JORC Code. The analysis undertaken has been essentially statistical and geostatistical with minimal reference to geology, although it is clear that geological structure has a major impact on the continuity and grade of copper mineralisation at El Roble.

The Company intends to further delineate copper-mineralised structures through the use of underground tunnelling combined with drilling, geological mapping, sampling and geophysical techniques. This work will be carried out over the next 12 months with underground development work and preparation having already commenced at Panga.

Comval Project, the Philippines (80%)

No field work was conducted at the Comval Project during the year. The Company scaled down activities at Comval in line with its renewed strategy to focus on the El Roble Project in Chile, given El Roble's high-grade near term production potential.

In late 2013, the Company, through its 80% owned Filipino subsidiary Argusan Metals Corporation, submitted renewal documents to the Mines and Geosciences Bureau (MGB) in the Philippines, to renew the Comval exploration permit (EP-00002-09-XI) for a further two years. The renewal process may take up to 12 months, with the Company maintaining its rights to explore the property as per the existing exploration permit conditions.

The Company has retained its community relations personnel on site and continues to work with local communities to ensure ongoing support for any future activities at Comval.

Boorara Project, Western Australia (earning up to 70%)

No work was carried out at Boorara during the 2014 financial year. Post year-end, the Company withdrew from the project.

Teutonic Project, Western Australia (earning up to 70%)

The Teutonic Project is prospective for base metals and gold associated with regional shear zones and VMS style mineralisation similar to the nearby Jaguar and Bentley VMS deposits.

During the September 2013 quarter, staff conducted a short field visit to verify geology and the potential of a number of high-priority magnetic anomalies identified from reprocessing and interpretation of high resolution multi-client aeromagnetic data.

Work undertaken included inspection of historic RC and RAB drilling spoil piles that exist on the ground to determine end-of-hole geology. Mineralisation and alteration was observed in 18 samples and a new interpretative geology was compiled. Samples were analysed for gold and a suite of multi-elements including base metals. A number of samples returned low level anomalous results for gold, arsenic, zinc and copper.

Post year-end, Metallum discovered a significant geophysical anomaly (the Mustang conductor) with similarities to the Jaguar and Bentley copper/zinc/silver deposits held by Independence Group NL north of Teutonic.

The Company identified the Teutonic tenement as being prospective for VMS style Cu-Pb-Zn-Ag mineralisation similar to that known in the region. As such, Metallum completed a ground MLEM survey within a corridor of prospective geology containing the Jaguar, Bentley and Teutonic Bore Volcanogenic Massive Sulphide (VMS) deposits. Processing and modelling of the EM data has identified a strong, coherent 350 metre long west dipping conductor, positioned within the prospective VMS corridor.

Post year end, the Company re-negotiated to extend the option period at Teutonic for a further three years and is planning to drill Mustang during the 2015 financial year.

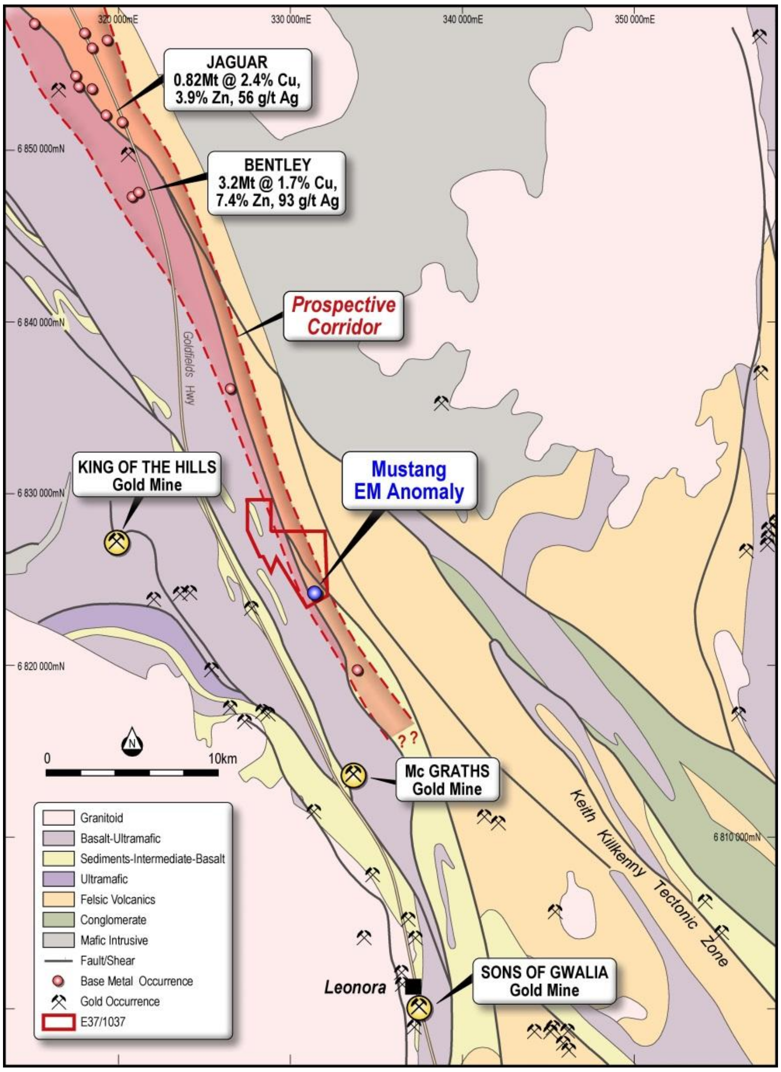

Figure 1 – Regional Geology and location map for the Teutonic Base Metals Project and Mustang Target showing proximity to the Jaguar, Bentley and Teutonic Bore VMS deposits. Map and resource figures for Bentley and Jaguar Mines sourced from Independence Group NL's website.

Competent Persons Statement

The information in this report that relates to Exploration Results and Exploration Targets is based on information compiled by Mr Zeffron Reeves (B App Sc (Hons) (Applied Geology) MBA, MAIG), a member of the Australian Institute of Geoscientist. Mr Reeves has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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 Reeves is a full time employee and Managing Director of Metallum Limited. The Company confirms that the form and context in which the information is presented has not been materially modified and it is not aware of any new information or data that materially affects the information included in the relevant market announcements, as detailed in the body of this report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Operations

As announced to the ASX on 15 August 2013, the Company and its subsidiary Mining Group Chile Ltda (in which the Company holds a 99.9% interest) ("Mining Group Chile Ltda") entered into an exclusive option agreement ("Option Agreement") with Mr Gunter Stromberger and a group of companies that are all controlled by Mr Stromberger ("Vendors"). The Company and Mining Group Chile Ltda also entered into a deed of acknowledgement with Apex Boom Ltd ("Apex" or "the Introducer"), Golden Dawn Limited ("GDL") and Minera Marlin Mining Ltda ("MMML") (GDL and MMML are together the "Apex Shareholders") ("Apex Option Agreement"). Together, the Option Agreement and the Apex Option Agreement contemplate the acquisition by Mining Group Chile Ltda, of up to a 90% interest in the El Roble Project in Chile ("Acquisition").

The El Roble Project is a copper and gold exploration project in Region III of Chile. The project area consists of 22 concessions covering approximately 7,800 hectares ("Concessions").

Under the terms of the Option Agreement, the Vendors granted Mining Group Chile Ltda through its 85% indirectly owned Chilean subsidiary Minera El Roble SpA ("Minera El Roble");

- an option to acquire up to a 68% interest in the El Roble Project ("Option"); and
- a call option for a further 10% interest in the El Roble Project ("Further Option").

In addition, under the Apex Option Agreement, the Apex Shareholders grant Mining Group Chile Ltda an option to acquire an additional 12% interest in Minera El Roble, which if exercised, along with the Option, and the Further Option, would take Metallum's indirect interest in Minera El Roble to a maximum 90% interest.

Corporate

The Company raised a total of $5,101,614 (before costs) during the period via two Placements to sophisticated investors comprising, 120,000,000 shares at an issue price of $0.025 with one free attaching option exercisable at $0.05 each on or before 30 June 2015 for every two shares subscribed for, and 75,057,141 shares at an issue price of $0.028 per share. The funds raised from the Placements were applied towards the initial acquisition, exploration and to accelerate progress towards development at the El Roble Project in Chile.

On 16 June 2014, the Company changed its name from Mining Group Limited to Metallum Limited.

Auditor

The Company's auditors changed to RSM Bird Cameron following shareholder approval at the Annual General Meeting held in November 2013. In February 2014, the Company changed its share registry to Automic Registry Services.

Other than as stated in the review of operations or the above, the Group is not aware of any of significant changes in the state of affairs.

FINANCIAL POSITION

As at 30 June 2014, the net assets of the Group are $7,005,336 (2013: $5,998,496).

The Directors believe the Group is in a financial position to pursue its current operations.

AFTER BALANCE DATE EVENTS

- As announced on 16 July 2014, the Group announced it has commenced trucking copper-bearing material from its Panga Mine at the El Roble Project located in Chile.
- On 7 August 2014, the Group announced confirmation of wide-spread high grade copper results at its El Roble Project.
- On 13 August 2014, the Group announced it has extended its option agreement for its Australian based project, Teutonic and withdrew from its Boorara Project.
- On 15 August 2014, the Group announced the detection of significant EM conductor at its Australian based Teutonic Project.
- On 27 August 2014, the Group announced it has entered into an option to acquire 100% of the San Sebastian concessions through Minera Panga SpA. Consideration for the 100% interest is US$250,000, which MNE will pay in three instalments over 12 months.
    - First payment of $83,333 is payable immediately, $83,333 payable 6 months from date of execution of the option agreement and $83,333 payable 12 months from date of execution of the option agreement.
    - During the option period, the Company has full and sole rights to explore the concessions and has the ability to pay the full consideration at any time within a 12-month period from signing the agreement, at which time it then has the right to exploit (mine) from the concessions. The Company has the right to withdraw from the option agreement at any time during the 12 month period and will forego any option payments paid as of the withdrawal date.
- On 10 September 2014, the Group announced an update of the exploration activities at San Sebastian and Panga mines at the El Roble Project located in Chile.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Company intends to continue to pursue its goals to acquire, explore, and exploit mineral deposits on its tenements. Concurrently, the Group will continue to seek suitable acquisition and consolidation opportunities, both in Australia and overseas, in gold, base metals and other commodities of interest.

ENVIRONMENTAL ISSUES

The Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work. The Directors of the Group are not aware of any breach of environmental regulations for the year under review.

The Directors have considered the National Greenhouse and Energy Reporting Act 2007 (the "NGER Act") which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the Directors have determined that the NGER Act will have no effect on the Group for the current or subsequent financial year. The Directors will reassess this position as and when the need arises.

INFORMATION ON DIRECTORS

Mr Winton Willesee Independent Non-Executive Chairman
Qualifications: BBus, DipEd, PGDipBus, MCom, FFin, CPA, MAICD, ACIS/ACSA

Mr Willesee is an experienced company director. Mr Willesee brings a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions, reconstructions and corporate finance.

Mr Willesee holds a Master of Commerce, Post-Graduate Diploma in Business (Economics and Finance), a Graduate Diploma in Applied Corporate Governance, a Graduate Diploma in Applied Finance and Investment, a Graduate Diploma in Education and a Bachelor of Business. He is a Fellow of the Financial Services Institute of Australasia, a Member of the Australian Institute of Company Directors, a Member of CPA Australia and a Chartered Secretary.

As well as his position with Metallum, Mr Willesee is currently the chairman of Birimian Gold Limited, Coretrack Limited and Cove Resources Limited, and a director of Otis Energy Limited.

Mr Willesee will retire and seek re-election at the Company's 2014 annual general meeting.

Interests in Shares and Options: 1,540,000 ordinary shares and 5,657,500 options.

Mr Zeffron Reeves Managing Director

Qualifications: B.Sc (Hons) (Applied Geology), MBA, MAIG

Mr Reeves has more than 16 years geological experience, most recently working with Cleveland Mining Company Ltd as Principal Exploration Geologist, where he was responsible for the delineation of the Premier Gold Mine resource as well as several new discoveries within the Crixas greenstone belt in Brazil. He has also had discovery success in Brazil and Australia with Ashburton Minerals having delineated previously unknown mineralisation within the Pocone Goldfield, in Brazil as well as uncovering the potential of the Mt Webb copper gold project in Australia.

Mr Reeves has a broad range of experience, from grass roots exploration to underground mining. He also has extensive corporate and commercial experience gained as commercial manager for a WA based electrical engineering contracting business and in his roles with Cleveland and Ashburton and has an MBA from the Curtin Graduate School of Business.

From Metallum's inception, Mr Reeves has worked as a consultant to the Company, having provided technical, corporate and commercial consulting services to the Company during the Comval project acquisition process and in developing and executing the Company's current strategy to fund long term growth through production from the Company's El Roble Project.

Interests in Shares and Options: 2,340,975 ordinary shares and 15,314,384 options

Mr Robert Butchart Non-Executive Nominee Director

Mr Butchart has been involved in the mining industry for more than 26 years. He has owned and operated exploration companies and drilling rigs in Australia and overseas, and has been involved in heap leaching operations and narrow vein underground gold mines.

Interests in Shares and Options: nil.

Mr Colin Johnstone Independent Non-Executive Director
Qualifications: BEng (Mining)

Mr Johnstone was formerly Chief Operating Officer at both Equinox Minerals Limited and Sino Gold Mining Limited prior to their respective acquisitions by Barrick Gold Corporation and Eldorado Gold Corporation.

He is a mining engineer with over 30 years' experience in the copper, gold and metalliferous mining industries, including both large open cut and underground operations. Mr Johnstone has extensive industry experience, having served as General Manager at some of Australia's largest mines, including KCGM, Olympic Dam and Northparkes. He has successfully constructed and operated mines in offshore jurisdictions including Zambia, China, Canada, Argentina as well as Australia.

Interests in Shares and Options: 3,379,911 ordinary shares and 6,417,758 options

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

NAME	COMPANY	PERIOD OF DIRECTORSHIP
Winton Willesee	Cove Resources Limited	June 2008 – present
	Bioprospect Limited	September 2011 – November 2013
	Base Resources Limited	May 2007 – November 2013
	Birimian Gold Limited	January 2013 – present
	Coretrack Limited	October 2010 - present
	Newera Resources Limited	March 2007- July 2014
	Otis Energy Limited	January 2008 – present
	Torrens Energy Limited	March 2012 – May 2014
Zeffron Reeves	-	-
Andrew Maurice	-	-
Robert Butchart	Cadan Resources Corporation (TSX listed company)	May 2011 - present
Colin Johnstone	Evolution Mining Limited	September 2013 – present
	Reed Resources Limited	February 2013 – September 2013

COMPANY SECRETARY

Ms Shannon Coates
Qualifications: LLB, BJuris, CSA

Ms Coates holds a Bachelor of Laws from Murdoch University and has over 18 years' experience in corporate law and compliance. Ms Coates is a Chartered Secretary and currently acts as Company Secretary to a number of ASX and AIM listed companies. Ms Coates is General Manager Corporate to Perth based corporate advisory firm Evolution Corporate Services Pty Ltd, which specialises in the provision of company secretarial and corporate advisory services to ASX, JSE and AIM listed companies.

REMUNERATION REPORT (AUDITED)

The full Board currently fulfils the roles of Remuneration Committee and is governed by the Company's adopted remuneration policy.

Remuneration Policy

This policy governs the operations of the Remuneration Committee. The Committee shall review and reassess the policy at least annually and obtain the approval of the Board.

Executive Remuneration

The Company's remuneration policy for executive Directors and senior management is designed to promote superior performance and long term commitment to the Company. Executives receive a base remuneration which is market related, and may be entitled to performance based remuneration at the ultimate discretion of the Board.

Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the interests of the Company and shareholders to do so.

Executive remuneration and other terms of employment are reviewed annually by the Remuneration Committee having regard to performance, relevant comparative information and expert advice.

The Committee's reward policy reflects its obligation to align executive's remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policy are:

a) reward reflects the competitive market in which the Company operates;

b) individual reward should be linked to performance criteria; and

c) executives should be rewarded for both financial and non-financial performance.

The total remuneration of executives and other senior managers consists of the following:

a) salary - executive Directors and senior managers receive a sum payable monthly in cash;

b) bonus - executive Directors and nominated senior managers are eligible to participate in a bonus or profit participation plan if deemed appropriate;

c) long term incentives - Executive Directors may participate in share option schemes with the prior approval of shareholders. Executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options to executives outside of approved employee option plans in exceptional circumstances; and

d) other benefits - Executive Directors and senior managers are eligible to participate in superannuation schemes and other appropriate additional benefits.

Remuneration of other executives consists of the following:

a) salary - senior executives receive a sum payable monthly in cash;

b) bonus - each executive is eligible to participate in a bonus or profit participation plan if deemed appropriate;

c) long term incentives - each senior executive may, where appropriate, participate in share option schemes which have been approved by shareholders; and

d) other benefits – senior executives are eligible to participate in superannuation schemes and other appropriate additional benefits.

REMUNERATION REPORT (AUDITED) (Continued)

Non-Executive Remuneration

Shareholders approve the maximum aggregate remuneration for Non-Executive Directors. The full Board recommends the actual payments to Directors and the Board is responsible for ratifying any recommendations, if appropriate. The maximum aggregate remuneration approved for Non-Executive Directors is currently $300,000.

It is recognised that Non-Executive Directors’ remuneration is ideally structured to exclude equity based remuneration. However, whilst the Company remains small and the full Board, including the Non-Executive Directors, are included in the operations of the Company more closely than may be the case with larger companies the Non-Executive Directors are entitled to participate in equity based remuneration schemes subject to shareholder approval.

All Directors are entitled to have their indemnity insurance paid by the Company.

Bonus or Profit Participation Plan

Performance incentives may be offered to Executive Directors and senior management of the Company through the operation of a bonus or profit participation plan at the ultimate discretion of the Board.

Details of Remuneration for Year Ended 30 June 2013 and the Year Ended 30 June 2014

The remuneration for each member of the key management personnel of the Group during the year was as follows:

2014

	Short-term Benefits				Post-Employment Benefits	Long-term Benefits	Share based Payment		Total	Total Remuneration Represented by Options	Performance Related
	Salaries, fees & leave	Cash profit share	Non-cash benefit	Other	Super-annuation	**Other**	**Equity**	**Options**			
	$	$	$	$	$	$	$	$	$	%	%
Winton Willesee	60,000	-	-	-	-	-	-	74,280	134,280	55.3	-
Zeffron Reeves	300,000	-	-	-	27,750	-	-	195,351	523,101	37.3	8.9
Robert Butchart	-	-	-	-	-	-	-	-	-		
Colin Johnstone	40,000	-	-	-	-	-	-	74,280	114,280	65.0	-
Sergio Uribe[7]	110,941	-	-	-	-	-	-	16,992	127,933	13.3	-
	510,941	-	-	-	27,750	-	-	360,903	899,594		

REMUNERATION REPORT (AUDITED) (Continued)

2013	Short-term Benefits				Post-Employment Benefits	Long-term Benefits	Share based Payment		Total	Total Remuneration Represented by Options	Performance Related
	Salaries, fees & leave	Cash profit share	Non-cash benefit	Other	Super-annuation	Other	Equity	Options			
	$	$	$	$	$	$	$	$	$	%	%
Winton Willesee	60,000	-	-	-	-	-	-	-	60,000	-	-
Zeffron Reeves[6]	289,062	-	-	-	25,875	-	-	37,417	352,354	10.6	10.6
Andrew Maurice[3]	14,778	-	-	-	1,194	-	-	-	15,972	-	-
Robert Butchart[1]	-	-	-	-	-	-	-	-	-	-	-
Colin Johnstone[2]	42,229	-	-	-	-	-	-	8,590	50,819	16.9	0.1
Perfecto E Mirador Jr[4]	155,894	-	-	-	-	-	-	4,525	160,419	2.8	-
Max Tuesley[5]	219,948	-	-	-	-	-	-	22,930	242,878	9.4	-
	781,911	-	-	-	27,069	-	-	73,462	882,442		

1 Appointed 1 March 2012.

2 Appointed 24 May 2012.

3 Resigned 17 July 2012.

4 Employment commenced 12 April 2012 with the Company's subsidiary, Agusan Metals Corporation (formerly Philco Mining Corp) in the Philippines. The company paid Mr Mirador consulting fees to Mirador Consultancy Services Ltd a company associated with Mr Mirador which are included in the table above. During the year ended 30 June 2014, the Comval operations were down scaled resulting in Mr Mirador's responsibilities being reduced as well.

5 Employment commenced 1 April 2012 with the Company's subsidiary, Agusan Metals Corporation (formerly Philco Mining Corp) in the Philippines. The company paid Mr Tuesley consulting fees to Dragon Compass Ltd a company associated with Mr Tuesley which are included in the table above. The agreement was terminated on 30 June 2013.

6 Appointed Managing Director 17 July 2012.

7 Appointed Commercial Manager at the Company's Chilean projects 1 October 2013. The Company paid Mr Uribe consulting fees to Asesorias Stuv Ltda, a company associated with Mr Uribe $85,615 which are included in the table above. In addition to the above, Apex Boom Limited, a Company associated with Mr Uribe was issued 12,000,000 unlisted options exercisable at $0.05 expiring 30 June 2016 at a deemed value of $160,629 in respect to the acquisition of the El Roble Project.

30 June 2014 — Number of Shares Held by Key Management Personnel

Key Management Personnel	Balance at 30.6.2013	Received as Compensation	Options Exercised	Net Change Other	Balance on Resignation	Balance 30.6.2014
Winton Willesee	540,000	-	-	1,000,000	-	1,540,000
Zeffron Reeves	840,975	-	-	1,500,000	-	2,340,975
Robert Butchart	-	-	-	-	-	-
Colin Johnstone	1,879,911	-	-	1,500,000	-	3,379,911
Sergio Uribe[7]	-	-	-	-	-	-
	3,260,886	-	-	4,000,000	-	7,260,886

REMUNERATION REPORT (AUDITED) (Continued)

30 June 2013

Key Management Personnel	Balance at 30.6.2012	Received as Compensation	Options Exercised	Net Change Other	Balance on Resignation	Balance 30.6.2013
Winton Willesee	150,000	-	-	390,000	-	540,000
Zeffron Reeves[6]	-	-	-	840,975	-	840,975
Andrew Maurice[3]	212,000	-	-	-	(212,000)	-
Robert Butchart[1]	-	-	-	-	-	-
Colin Johnstone[2]	-	-	-	1,879,911	-	1,879,911
Perfecto E Mirador Jr[4]	-	-	-	-	-	-
Max Tuesley[5]	-	-	-	-	-	-
	362,000	-	-	3,110,886	(212,000)	3,260,886

[1] Appointed 1 March 2012.

[2] Appointed 24 May 2012.

[3] Resigned 17 July 2012.

[4] Appointed 12 April 2012 to the Company's subsidiary, Agusan Metals Corporation (formerly Philco Mining Corp).

[5] Appointed 1 April 2012 to the Company's subsidiary, Agusan Metals Corporation (formerly Philco Mining Corp). The agreement was terminated on 30 June 2013.

[6] Appointed 17 July 2012.

[7] Appointed Commercial Manager at the Company's Chilean projects 1 October 2013.

REMUNERATION REPORT (AUDITED) (Continued)

30 June 2014 **Number of Options Held by Key Management Personnel**

Key Management Person	Balance 30.6.2013	Granted as compensation	Options Exercised	Net Change Other	Balance on Resignation	Balance 30.6.2014	Total Exercisable	Total 30.6.2014
Winton Willesee	657,500	4,500,000	-	500,000	-	5,657,500	5,657,500	5,657,500
Zeffron Reeves	5,564,384	9,000,000	-	750,000	-	15,314,384	11,564,384	15,314,384
Robert Butchart	-	-	-	-	-	-	-	-
Colin Johnstone	1,167,758	4,500,000	-	750,000	-	6,417,758	6,417,758	6,417,758
Sergio Uribe[7]	-	1,000,000	-	12,000,000	-	13,000,000	12,000,000	13,000,000
	7,389,642	19,000,000	-	14,000,000	-	40,389,642	35,639,642	40,389,642

30 June 2013

Key Management Person	Balance 30.6.2012	Granted as compensation	Options Exercised	Net Change Other	Balance on Resignation	Balance 30.6.2013	Total Exercisable	Total 30.6.2013
Winton Willesee	537,500	-	-	120,000	-	657,500	657,500	657,500
Zeffron Reeves[6]	-	3,750,000	-	1,814,384	-	5,564,384	1,814,384	5,564,384
Andrew Maurice[3]	550,000	-	-	-	(550,000)	-	-	-
Robert Butchart[1]	-	-	-	-	-	-	-	-
Colin Johnstone[2]	-	500,000	-	667,758	-	1,167,758	1,167,758	1,167,758
Perfecto E Mirador Jr[4]	50,000	50,000	-	-	-	100,000	100,000	100,000
Max Tuesley[5]	300,000	450,000	-	-	-	750,000	750,000	750,000
	1,437,500	4,750,000	-	2,602,142	(550,000)	8,239,642	4,489,642	8,239,642

[1] Appointed 1 March 2012.

[2] Appointed 24 May 2012.

[3] Resigned 17 July 2012.

[4] Appointed 12 April 2012 to the Company's subsidiary, Agusan Metals Corporation (formerly Philco Mining Corp).

[5] Appointed 1 April 2012 to the Company's subsidiary, Agusan Metals Corporation (formerly Philco Mining Corp). The agreement was terminated on 30 June 2013.

[6] Appointed 17 July 2012.

[7] Appointed Commercial Manager at the Company's Chilean projects 1 October 2013.

REMUNERATION REPORT (AUDITED) (Continued)

Options issued as part of remuneration

19,000,000 options were granted to key management persons of the Company as remuneration during the year (2013: 4,750,000). The fair value, as determined by the Black Scholes valuation model and detailed in Note 26, has been included as part of their remuneration in the report above.

	2013					2014			
	Class I 15 July 2014 $0.45	**Class J 1 July 2015 $0.20**	**Class K 13 Nov 2014 $0.20**	**Class L 13 Nov 2015 $0.25**	**Total**	**Class N 17 Oct 2016 $0.034**	**Class O 19 Oct 2017 $0.037**	**Class P 30 Nov 2016 $0.05**	**Total**
Zeffron Reeves	-	3,750,000	-	-	3,750,000	4,000,000	5,000,000	-	9,000,000
Winton Willesee	-	-	-	-	-	2,000,000	2,500,000	-	4,500,000
Colin Johnstone	500,000	-	-	-	500,000	2,000,000	2,500,000	-	4,500,000
Sergio Uribe	-	-	-	-	-	-	-	1,000,000	1,000,000
Perfecto E Mirador Jr	-	-	50,000	-	50,000	-	-	-	-
Max Tuesley			200,000	250,000	450,000				
Total					4,750,000				19,000,000

Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management persons is detailed below.

2014	**Granted in year $ (A)**	**Value of options exercised in year $ (B)**	**Lapsed during year $ (C)**
Winton Willesee	74,280	-	-
Zeffron Reeves[6]	195,351	-	-
Robert Butchart[1]	-	-	-
Colin Johnstone[2]	74,280	-	-
Sergio Uribe[7]	16,992	-	-

REMUNERATION REPORT (AUDITED) (Continued)

2013	Granted in year $ (A)	Value of options exercised in year $ (B)	Lapsed during year $ (C)
Winton Willesee	-	-	-
Zeffron Reeves[6]	37,417	-	-
Andrew Maurice[5]	-	-	-
Robert Butchart[1]	-	-	-
Colin Johnstone[2]	8,590	-	-
Perfecto E Mirador Jr[3]	4,525	-	-
Max Tuesley[4]	22,930	-	-

[1] Appointed 1 March 2012

[2] Appointed 24 May 2012

[3] Appointed 12 April 2012 to the Company's subsidiary, Agusan Metals Corporation (formerly Philco Mining Corp).

[4] Appointed 1 April 2012 to the Company's subsidiary, Agusan Metals Corporation (formerly Philco Mining Corp). The agreement was terminated on 30 June 2013.

[5] Resigned 17 July 2012

[6] Appointed 17 July 2012

[7] Appointed Commercial Manager at the Company's Chilean projects 1 October 2013. On 18 October 2013, Apex Boom Limited, a Company associated with Mr Uribe was issued 12,000,000 unlisted options exercisable at $0.05 expiring 30 June 2016 at a deemed value of $160,629 with respect to the acquisition of the El Roble Project

a) The value of options granted in the year is the fair value of the options calculated at grant date using the Black Scholes option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period, if applicable.

b) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

c) The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using the Black Scholes option-pricing model assuming the performance criteria had been achieved.

Nil (2013: Nil) options granted as remuneration have been exercised, lapsed or expired during the year.

Shares Issued on Exercise of Options

No (2013: nil) fully paid ordinary shares have been issued as a result of the exercise of options during or since the end of the financial year. No other options granted as remuneration have been exercised, lapsed or expired.

REMUNERATION REPORT (AUDITED) (Continued)

SERVICE CONTRACTS OF KEY MANAGEMENT PERSONNEL

	Remuneration	*Termination Notice*	*Contract term*
Zeffron Reeves Managing Director	$300,000 per annum plus statutory superannuation	1 month's written notice by either party	Until terminated by either party
Sergio Uribe Commercial Manager (Chile) *(appointed 1 October 2013)*	$120,000USD per annum plus 1,000,000 Options expiring 30 Nov 2016, $0.05	2 month's written notice by either party	Until terminated by either party

Non-Executive Directors' Letters of Appointment

Other than as set out below, Non-Executive Directors are entitled to $40,000 per annum in Director's fees, with the Chairman being entitled to $60,000 per annum.

On 14 March 2011, Mr Willesee was appointed Non-Executive Chairman with fees payable based on $60,000 per annum.

On 24 May 2012 Mr Johnstone was appointed Non-Executive Director with fees payable based on $1,500 per day (exc GST) on an ad hoc basis commencing the date of appointment, together with 500,000 unlisted options exercisable at 45 cents on or before 15 July 2014, subject to shareholder approval. Shareholder approval was received on 18 September 2012 and options were issued to nominees of Mr Johnstone on that date.

On the 27 March 2013 the terms of Mr Johnstone's consultancy agreement was amended. Mr Johnstone is now entitled to receive a director's fee of $40,000 per annum, payable monthly in arrears and he is entitled to fees or other amounts as the Board determines where he performs special duties or otherwise perform services outside the scope of the ordinary duties of a Director.

On 1 March 2012 Mr Butchart was appointed Nominee Non-Executive Director of the Company with fees payable by the representative company, being Cadan.

Other transactions with key management personnel and their related parties

Other than stated in the remuneration report, there has been no related party transactions during the financial year.

***** END OF REMUNERATION REPORT *****

MEETINGS OF DIRECTORS

During the year, 8 scheduled meetings of Directors were held. Attendances by each Director during the financial year were as follows:

	Directors' Meetings	
	Number eligible to attend	**Number Attended**
Directors		
Winton Willesee	8	8
Zeffron Reeves	8	8
Colin Johnstone	8	8
Rob Butchart	8	7

The full Board fulfils the role of Remuneration, Nomination and Audit Committees.

INDEMNIFYING OFFICERS

In accordance with the Constitution, except as may be prohibited by the Corporations Act 2001, every Officer of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the company secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

OPTIONS

At the date of this report, there are 175,192,820 unissued ordinary shares of Metallum Limited under option as follows:

	Date of Expiry	Exercise Price	Number under Option
Listed			
MNEOB	30 June 2015	$0.05	137,042,820
Unlisted			
Class C	1 April 2015	$0.60	300,000
Class D	14 May 2015	$0.60	50,000
Class I	15 July 2015	$0.45	500,000
Class J	1 July 2015	$0.20	3,750,000
Class K	13 November 2014	$0.20	250,000
Class L	13 November 2015	$0.25	300,000
Class M	30 June 2016	$0.05	12,000,000
Class N	17 October 2016	$0.034	8,000,000
Class O	19 October 2017	$0.037	10,000,000
Class P	30 November 2016	$0.05	1,000,000
Class Q	30 June 2016	$0.05	2,000,000

On 1 July 2014, 41,922,230 $0.20 expiring 1 July 2014 options expired unexercised.

Option holders do not have any rights to participate in new issues of shares or other interests in the Company or any other entity.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of these proceedings.

The Company was not a party to any such proceedings during the year.

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

DEEDS OF INDEMNITY

The Company has entered into Deeds of Indemnity and Access with each of its Directors**.** Pursuant to the Deeds, the Company will indemnify each Director to the extent permitted by the Corporations Act against any liability arising as a result of the Director acting as an officer of the Company. The Company will be required under the Deeds to maintain insurance policies for the benefit of the relevant Director for the term of the appointment and for a period of 7 years after the relevant Director's retirement or resignation.

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the full Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

	2014	2013
	$	$
Professional services	19,040	9,750
Corporate assessments	-	2,721
Total non-audit services	**19,040**	**12,471**

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and is included within the financial report.

Signed in accordance with a resolution of the Board of Directors.

WINTON WILLESEE
Non-Executive Chairman

DATED this 30th day of September 2014

RSM Bird Cameron Partners
8 St George's Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 **F** +61 8 9261 9101
www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Metallum Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 30 September 2014

The Board of Directors of Metallum Limited is responsible for the establishment of a corporate governance framework that has regard to the best practice recommendations set by the ASX Corporate Governance Council. Metallum's objective is to achieve best practice in corporate governance and the Company's Board, senior executives and employees are committed to achieving this objective.

This statement summarises the corporate governance practices that have been adopted by the Board. In addition to the information contained in this statement, the Company's website at www.metallum.com.au contains additional details of its corporate governance procedures and practices.

ASX Best Practice Recommendations

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the ASX best practice recommendations in the reporting period. The recommendations are not prescriptive and if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to adopt it. Where the Company considered it was not appropriate to presently comply with a particular recommendation the reasons are set out in the relevant section of this statement.

For the 2014 financial year, the Board has adopted a Corporate Governance policy that (except where expressly noted below) complied with the Listing Rules and the Principles set out in the Second Edition of the "Corporate Governance Principles and Recommendations with 2010 Amendments", established by the ASX Corporate Governance Council and published by the ASX in June 2010 ("ASX Principles"). From 1 July 2014, the Company will report against the Third Edition of the ASX Principles.

Board of Directors

Role and Responsibilities of the Board

The Board is responsible for guiding and monitoring the Company on behalf of shareholders. The specific responsibilities of the Board include:

(a) appointment, evaluation, rewarding and if necessary the removal of the Managing Director, Chief Financial Officer (or equivalent) and the Company Secretary;

(b) in conjunction with management, development of corporate objectives, strategy and operations plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;

(c) establishing appropriate levels of delegation to the Managing Director to allow him to manage the business efficiently;

(d) monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level, to understand at all times the financial and operating conditions of the Company;

(e) monitoring the performance of senior management including the implementation of strategy, and ensuring appropriate resources are available;

(f) via management, an appreciation of areas of significant business risk and ensuring that the Company is appropriately positioned to manage those risks;

(g) overseeing the management of safety, occupational health and environmental matters;

(h) satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;

(i) satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, and internal control processes are in place and functioning appropriately;

(j) to ensure that appropriate internal and external audit arrangements are in place and operating effectively;

(k) having a framework in place to help ensure that the Company acts legally and responsibly on all matters consistent with the code of conduct; and

(l) reporting to shareholders.

In accordance with ASX Principle 1, the Board has established a Board Charter which sets out functions reserved to Board and those delegated to senior executives. This Charter is available on the Company's website. The Board has delegated responsibilities and authorities to management to enable management to conduct the Company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits, require Board approval.

Board composition

The Board is comprised of one executive Director and three Non-Executive Directors.

The Company's website contains details on the procedures for the selection and appointment of new directors and the re-election of incumbent Directors, together with the Board's policy for the nomination and appointment of Directors.

ASX Principle 2 recommends the Board establish a Nomination Committee to focus on the selection and appointment practices of the Company. It is further recommended that the Nomination Committee have a formal Charter.

The Company has adopted a formal Nomination Committee Charter, available on the Company's website, which includes information on the Company's approach to selection and appointment of Directors. However the Company does not presently have a separate Nomination Committee. As the Board is small, the full Board conducts the function of such a committee, in accordance with the Charter.

The composition of the Board is reviewed at least annually to ensure the balance of skills and experience is appropriate. The current Directors have a broad range of qualifications, experience and expertise in the minerals exploration, mining development and finance industries. The skills, experience and expertise of Directors are set out in the Directors' Report. The Board considers that the current composition of the Board is adequate for the Company's current size and operations and includes the appropriate mix of skills and expertise, relevant to the Company's business.

The names of the Directors in office at the date of this Report, the year they were first appointed, their status as non-executive, executive or independent Directors and whether they are retiring by rotation and seeking re-election by shareholders at the 2014 annual general meeting, are set out in the Directors' Report.

Independence of Non-Executive Directors

ASX Principle 2 recommends that a majority of the Board should be independent Directors. The Board considers an independent Director to be a Non-Executive Director who meets the criteria for independence included in ASX Principle 2. Materiality for these purposes is based on quantitative and qualitative bases. An amount of over 5% of the annual turnover of the Company or 5% of the individual Director's net worth is considered material for these purposes.

The Board has reviewed and considered the positions and associations of each of the Directors in office at the date of this report and considers that half of the Directors are not independent.

Currently the Board is comprised of two independent Directors, Winton Willesee and Colin Johnstone, and two non-independent Directors, Zeffron Reeves, who acts in an executive capacity as the Managing Director, and Robert Butchart, a nominee of Cadan Resources Corporation, which is a former major shareholder of Metallum Limited. Notwithstanding that the current composition of the Board does not meet the requirements of ASX Principle 2, the Board considers that the composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise, relevant to the Company's business. The Board has formed the view that the individuals on the Board can, and do make quality judgements in the best interests of the Company on all relevant issues.

Independent professional advice

The Board has adopted a formal policy on access to independent professional advice which provides that Directors are entitled to seek independent professional advice for the purposes of the proper performance of their duties. The advice is at the Company's expense and advice so obtained is to be made available to all Directors.

Meetings

The Board held 8 scheduled meetings during the reporting year and no unscheduled meetings were held during the year. The eligibility to attend and attendance of Directors at Board meetings during the year ended 30 June 2014 is detailed in the Directors' Report.

Evaluation of Board and Senior Executive performance

A process has been established to review and evaluate the performance of the Board, individual Directors and senior executives. The Board is required to meet annually with the specific purpose of reviewing the role of the Board, assessing the performance of the Board and individual Directors over the previous 12 months and examining ways in which the Board can better perform its duties.

The Managing Director is responsible for assessing the performance of the key executives within the Company on an annual basis.

Remuneration

ASX Principle 8 recommends the Board establish a Remuneration Committee to focus on appropriate remuneration policies. It is further recommended that the Remuneration Committee have a formal Charter.

The Company has adopted a formal Remuneration Committee Charter, available on the Company's website, which includes information on the Company's approach to remuneration of Directors (executive and non-executive) and senior executives. However the Company does not presently have a separate Remuneration Committee. Given the small size of the Board, the full Board conducts the function of such a committee, in accordance with the Charter.

In accordance with ASX Principle 8, Executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-Executive Directors receive a fixed monthly fee for their services. Non-Executive Directors' fees are currently capped at $300,000 per annum.

Following receipt of shareholder approval, the Company issued Incentive Options to Managing Director Zeff Reeves and Non-Executive Directors Winton Willesee and Colin Johnstone. The Company acknowledges that the guidelines to ASX Principle 8 recommend that Non-Executive Directors do not receive options. However under the Company's current circumstances, the

Directors considered the issue to be a cost effective and efficient means for the Company to provide a reward and incentive, as opposed to alternative forms of incentive, such as the payment of additional cash consideration that would be necessary for someone with the experience of Messrs Reeves, Willesee and Johnstone.

The Company does not have any scheme relating to retirement benefits for Non-Executive Directors.

See the Remuneration Report for details of remuneration paid to Directors and key executives during the year.

Risk Management

In accordance with ASX Principle 7, the Company has a policy for the oversight and management of material business risks, which is available on the Company's website.

Management determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes:

a) establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
b) continuously identifying and reacting to risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
c) formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and
d) monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.

Within the identified risk profile of the Company, comprehensive practices are in place that are directed towards achieving the following objectives:

a) effectiveness and efficiency in the use of the Company's resources;
b) compliance with applicable laws and regulations; and
c) preparation of reliable published financial information.

The Board oversees an ongoing assessment of the effectiveness of risk management and internal compliance and control, requiring management appraise the Board of changing circumstances within the Company and within the international business environment. During the reporting period, the Managing Director regularly reported to the Board as to the effectiveness of the Company's management of its material business risks. Further, in accordance with ASX Principle 7, the Managing Director and Chief Financial Officer have confirmed in writing to the Board that:

(a) the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards.
(b) the above confirmation is founded on a sound system of risk management and internal compliance and control which implements the policies of the Board; and
(c) the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Financial Reporting

ASX Principle 4 recommends the Board establish an Audit Committee to focus on issues relevant to the integrity of the Company's financial reporting. It is further recommended the Audit Committee have a formal Charter.

The Company has prepared a formal Audit Committee Charter, available from the Company's website, which promotes an environment consistent with best practice financial reporting and includes information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners. However due to the small size of the Board, the Company does not presently have a separate Audit Committee. The full Board conducts the function of such a committee, in accordance with the Charter.

Code of Conduct

The Board encourages appropriate standards of conduct and behaviour from Directors, officers, employees and contractors of the Company.

The Board has adopted a Code of Conduct, available from the Company's website. This Code of Conduct is regularly reviewed and updated as necessary to ensure that it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

A fundamental theme is that all business affairs are conducted legally, ethically and with strict observance of the highest standards of integrity and propriety.

The Board has established a Diversity Policy in accordance with ASX Principle 3. However, given the small size of the Company and its current stage of operations, the Board has opted not to establish measurable objectives for achieving gender diversity and as a result cannot assess such objectives and progress toward achieving them.

To provide an accurate reflection of the proportion of women across the whole organisation, the Company has opted to include contractors, casual and part-time employees in the statistics below, which show the proportion of women in the organisation as at the date of this report:

Board	Nil
Senior Executives	25%
Employees/Contractors	13%

Securities Trading

As required by Listing Rule 12.12, the Board has adopted a Securities Trading Policy which regulates dealings by Directors, offices and employees in securities issued by the Company.

Under the policy, which is available on the Company's website, general restrictions are imposed on Directors and employees when in possession of inside information, while additional trading restrictions apply to Directors and some employees.
The policy regulates trading by key management personnel within defined closed periods, as well as providing details of trading not subject to the policy, exceptional circumstances in which key management personnel may be permitted to trade during a prohibited period with prior written clearance and the procedure for obtaining written clearance.

The Company prohibits Directors and employees from entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity based remuneration schemes.

Privacy

The Company has resolved to comply with the Australian Privacy Principles contained in the Privacy Act 1988, to the extent required for a company the size and nature of the Company.

Continuous Disclosure

In accordance with ASX Principle 5, the Board has an established Continuous Disclosure Policy which is available from the Company's website.

The Company is committed to:

a) complying with the general and continuous disclosure principles contained in the Corporations Act and the ASX Listing rules;

b) preventing the selective or inadvertent disclosure of material price sensitive information;

c) ensuring shareholders and the market are provided with full and timely information about the Company's activities; and

d) ensuring that all market participants have equal opportunity to receive externally available information issued by the Company.

Shareholder Communication

In accordance with ASX Principle 6, the Board has established a communications strategy which is available from the Company's website. The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company.

The Managing Director and Company Secretary have primary responsibility for communication with shareholders. Information is communicated through:

a) continuous disclosure to relevant stock markets of all material information;

b) periodic disclosure through the annual report (or concise annual report), half year financial report and quarterly reporting of corporate activities;

c) notices of meetings and explanatory material;

d) the annual general meeting;

e) periodic newsletters or letters from the Chairman or Managing Director; and

f) the Company's web-site.

The Company is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market.

Shareholders are encouraged at annual general meetings to ask questions of Directors and senior management and also the Company's external auditors, who are requested to attend the Company's annual general meetings.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Interest revenue		69,691	49,686
Impairment of inventory		(110,881)	-
Other financial fees		(6,182)	(9,116)
Administrative expenses		(24,339)	(100,039)
Consultancy and legal expenses		(257,156)	(148,011)
Compliance and regulatory expenses		(209,175)	(256,375)
Equity based payments		(386,749)	(277,300)
Exploration and evaluation expenses		(840,016)	(1,463,281)
Depreciation		(7,888)	(6,666)
Employee benefits expense		(746,007)	(577,605)
Gain/(loss) on foreign exchange		113,475	347,348
Impairment of exploration expenditure		(101,383)	(21,405)
Adjustment to Loan Fair Value		(1,080,256)	-
Impairment of Comval project		-	(8,324,939)
Loss on disposal of assets		(445)	(98,756)
Other expenses		(319,223)	(291,951)
Loss before income tax expense		(3,906,534)	(11,178,410)
Income tax expense	4	63,978	(132,720)
Net loss for the year		(3,842,556)	(11,311,130)
Other comprehensive income, net of income tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(427,792)	406,813
		(427,792)	406,813
Total comprehensive loss for the year		(4,270,348)	(10,904,317)
Loss for the year is attributable to:			
Owners of Metallum Limited	19	(3,728,668)	(11,376,877)
Non-controlling interest		(113,888)	65,747
		(3,842,556)	(11,311,130)
Total comprehensive income/(loss) for the year is attributable to:			
Owners of Metallum Limited		(4,285,968)	(10,938,382)
Non-controlling interest		15,620	34,065
		(4,270,348)	(10,904,317)
Loss per share for loss attributable to the owners of Metallum Limited			
Basic loss per share (cents)	5	(1.27)	(12.31)
Diluted loss per share (cents)	5	(1.27)	(12.31)

The accompanying notes form part of these financial statements.

	Note	Consolidated 2014 $	Consolidated 2013 $
CURRENT ASSETS			
Cash and cash equivalents	6	1,714,938	1,719,095
Inventory	7	25,142	-
Other receivables	8	798,374	84,927
TOTAL CURRENT ASSETS		2,538,454	1,804,022
NON CURRENT ASSETS			
Property, plant and equipment	9	107,976	136,891
Exploration and evaluation expenditure	10	7,623,978	6,631,246
Other	11	-	57,344
TOTAL NON CURRENT ASSETS		7,731,954	6,825,481
TOTAL ASSETS		10,270,408	8,629,503
CURRENT LIABILITIES			
Trade and other payables	12	235,332	268,358
Provisions	13	39,389	18,155
TOTAL CURRENT LIABILITIES		274,721	286,513
NON CURRENT LIABILITIES			
Deferred tax payable	4	339,992	380,997
Loan payable	14	2,650,359	1,963,497
TOTAL NON CURRENT LIABILITIES		2,990,351	2,344,494
TOTAL LIABILITIES		3,265,072	2,631,007
NET ASSETS		7,005,336	5,998,496
EQUITY			
Issued capital	15	19,213,355	14,601,799
Reserves	18	4,588,014	4,479,682
Accumulated losses	19	(16,931,917)	(13,203,249)
Equity attributable to the owners of Metallum Limited		6,869,452	5,878,232
Non-Controlling Interest		135,884	120,264
TOTAL EQUITY		7,005,336	5,998,496

The accompanying notes form part of these financial accounts

	Note	Consolidated 2014 $	Consolidated 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest revenues		69,691	49,686
Payments to suppliers and employees		(1,851,107)	(2,000,763)
Net cash used in operating activities	20	(1,781,416)	(1,951,077)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		-	(79,931)
Payments for exploration and evaluation (expensed)		(760,618)	(1,182,241)
Payments for exploration and evaluation costs (capitalised)		(1,571,450)	(1,881,891)
Loan advanced to other		(620,483)	-
Payments for acquisition of Comval project		-	(500,000)
Net cash used in investing activities		(2,952,551)	(3,644,063)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Cadan loan		-	47,672
Proceeds from issue of equities		5,101,614	7,147,376
Capital raising costs		(371,804)	(758,559)
Net cash provided by financing activities		4,729,810	6,436,489
Net (decrease)/increase in cash held		(4,157)	841,349
Cash and cash equivalents at the beginning of the financial year		1,719,095	877,746
Cash and cash equivalents at the end of the financial year	6	1,714,938	1,719,095

The accompanying notes form part of these financial accounts

Consolidated	Note	Issued Capital $	Reserves $	Accumulated Losses $	Non-controlling Interest $	Total Equity $
Balance at 1 July 2013		14,601,799	4,479,682	(13,203,249)	120,264	5,998,496
Loss for the year		-	-	(3,728,668)	(113,888)	(3,842,556)
Other comprehensive income	18	-	(557,300)	-	129,508	(427,792)
Total comprehensive loss for the year		-	(557,300)	(3,728,668)	15,620	(4,270,348)
Transactions with owners in their capacity as owners:						
Share based payments	18	-	665,632	-	-	665,632
Shares issued during the year (net of capital raising costs)		4,611,556	-	-	-	4,611,556
Balance at 30 June 2014		19,213,355	4,588,014	(16,931,917)	135,884	7,005,336

Consolidated	Note	Issued Capital $	Reserves $	Accumulated Losses $	Non-controlling Interest $	Total Equity $
Balance at 1 July 2012		8,899,657	2,752,006	(1,826,372)	(39,974)	9,785,317
Loss for the year		-	-	(11,376,877)	65,747	(11,311,130)
Other comprehensive income	18	-	438,495	-	(31,682)	406,813
Total comprehensive loss for the year		-	438,495	(11,376,877)	34,065	(10,904,317)
Transactions with owners in their capacity as owners:						
Shares issued to non-controlling shareholders		-	-	-	126,173	126,173
Issue of options		-	1,289,181	-	-	1,289,181
Shares issued during the year (net of capital raising costs)		5,402,142	-	-	-	5,402,142
Shares issued – Comval Project – REG settlement		300,000	-	-	-	300,000
Balance at 30 June 2013		14,601,799	4,479,682	(13,203,249)	120,264	5,998,496

The accompanying notes form part of these financial accounts

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the financial statements and notes of Metallum Limited and controlled entities ("consolidated entity" or "the group"). The separate financial statements and notes of Metallum Limited as an individual parent entity ("Company") have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial report was authorised for issue on 30 September 2014 by the Directors of the company.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers Metallum Limited and its subsidiaries, and has been prepared in Australian dollars. Metallum Limited is a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 22.

a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Metallum Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Metallum Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or 'group'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

b) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards:

In the year ended 30 June 2014, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of this review, the Directors do not expect any impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies. The new Accounting Standards applicable in future periods are set out in Note 28.

c) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

b) When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

d) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of the amount of goods and services tax (GST).

f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

g) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Land is measured at cost less accumulated impairment losses.

Depreciation is calculated over the estimated useful life of the assets using the straight line method as follows:

Plant and equipment	2 - 5 years
Furniture and Fixtures	2 - 5 years
Computer equipment	2 - 5 years
Structures and improvements	5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For property, plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

i) Inventories

Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

j) Exploration, evaluation and development expenditure

Exploration, evaluation and acquisition expenditure on areas of interest will normally be expensed but will be assessed on a case by case basis and may be capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future. Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced.

k) Mining assets

Capitalised mining development costs include expenditures incurred to develop new ore bodies to define further mineralisation in existing ore bodies, to expand the capacity of a mine and to maintain production. Mining development also includes costs transferred from exploration and evaluation phase once production commences in the area of interest.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortisation of mining development is computed by the units of production basis over the estimated proved and probable reserves. Proved and probable mineral reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. These reserves are amortised from the date on which production commences. The amortisation is calculated from recoverable proven and probable reserves and a predetermined percentage of the recoverable measured, indicated and inferred resource. This percentage is reviewed annually.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to the consolidated entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the years in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Financial Instruments

Initial Recognition and Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification and Subsequent Measurement

i. *Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the year in which they arise.

ii. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

n) Fair value

Fair value is determined based on the last trading price for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

o) Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged or significant decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

ii. Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

iii. Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

iv. *Impairment of tangible and intangible assets other than goodwill*

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

p) Trade and payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

r) Equity-settled compensation

The entity operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

u) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred**.**

v) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

w) Earnings per share

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

a) costs of servicing equity (other than dividends) and preference share dividends;
b) the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
c) other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

a) when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

b) receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

y) Critical accounting judgements, estimates and assumptions

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, and are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Key Judgements – Deferred exploration and evaluation expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Refer to the accounting policy stated in Note 1(e).

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Key Judgements –Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

z) Operating segments

Identification and measurement of segments – AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments.

aa) Foreign currency translation

Both the functional and presentation currency of Metallum Limited and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

The functional currency of the foreign subsidiaries, Agusan Metals Corporation, Marlin Mining Corporation, and MNE Philippine Realty, Inc. is Philippines peso, "Php".

The functional currency of Mining Group Chile Ltda, Minera El Roble SpA, Minera Panga SpA is Chilean peso, "CLP".

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss. In addition, in relation to the partial disposal of a subsidiary that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTE 2. KEY MANAGEMENT PERSONNEL DISCLOSURES

	Consolidated 2014 $	2013 $
Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.		
Short-term employee benefits	510,941	781,911
Post-employment benefits	27,750	27,069
Share-based payments	360,903	73,462
	899,594	882,442

The aggregate compensation made to directors and other key management personnel of the Group is set out above. For further details refer to the Remuneration Report.

NOTE 3. AUDITOR'S REMUNERATION

	Consolidated 2014 $	2013 $
Remuneration of the auditor for:		
RSM Bird Cameron Partners an audit or review of the financial report of the entity and any other entity in the group	37,500	-
Non-RSM Bird Cameron Partners an audit or review of the financial report of the entity and any other entity in the group	-	45,104
RSM Bird Cameron Partners – Professional services	19,040	-
Non-RSM Bird Cameron Partners – Professional and Corporate services	-	12,471
	56,540	57,575

NOTE 4. INCOME TAX

	Consolidated 2014 $	2013 $
a) **Income tax expense**		
Current tax in Overseas entities	-	1,466
Refundable Research & Development Tax Offset	(29,204)	-
Deferred Tax in Overseas Entities	(41,005)	151,423
Foreign Exchange Translation Adjustment	6,231	(20,169)
Income tax expense (benefit)	(63,978)	132,720
Deferred income tax expense included in income tax expense comprises:		
i. (Increase)/Decrease in deferred tax assets recognised in Australian entities	29,946	5,213
ii. Increase/(Decrease) in deferred tax liabilities recognised in Australian entities	(29,946)	(5,213)

NOTE 4. INCOME TAX

	Consolidated 2014 $	Consolidated 2013 $
iii. Increase/(Decrease) in deferred tax liabilities recognised in Overseas entities	(41,005)	151,423
	(41,005)	151,423

b) Reconciliation of income tax expense to prima facie tax payable

	2014 $	2013 $
The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on operating loss at 30%	(1,171,960)	(3,353,523)
Add / (Less)		
Tax effect of:		
Research and Development Tax Offset	(29,204)	-
Tax losses and timing differences not recognised	801,515	3,172,201
Research and Development Tax Offset	(9,167)	(139,075)
Non-deductible expenses	379,612	320,397
Income tax attributable to operating loss recognised in Australian entities	(29,204)	-
Temporary differences recognised in Overseas entities	(41,005)	151,423
Foreign Exchange Translation Adjustment	6,231	(20,169)
	(63,978)	132,720
The applicable weighted average effective tax rates are as follows:	Nil%	Nil%

c) Deferred tax assets

	2014 $	2013 $
Tax Losses	1,203,537	802,544
Provisions	19,625	12,423
Other	100,402	39,263
	1,323,564	854,230
Set-off deferred tax liabilities	(18,862)	(48,808)
Deferred tax asset not recognised	(1,304,702)	(805,422)
Net deferred tax assets	-	-

NOTE 4. INCOME TAX (continued)

	Consolidated	
	2014	2013
	$	$
d) **Deferred tax liabilities**		
Exploration expenditure	17,677	48,092
Other	1,185	716
	18,862	48,808
Set-off deferred tax assets	(18,862)	(48,808)
Net deferred tax liabilities	-	-
e) **Tax losses**		
Unrealised Foreign Exchange Gains	339,992	380,997
Unused tax losses for which no deferred tax asset has been recognised	1,203,537	777,897

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2014 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

i. the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;

ii. the Group continues to comply with conditions for deductibility imposed by law; and

ii. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss and exploration expenditure.

NOTE 5. LOSS PER SHARE

	Consolidated	
	2014	2013
	$	$
a) Loss used to calculate basic EPS	(3,728,668)	(11,376,877)
	Number of Shares	Number of Shares
b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	293,259,932	92,387,967

The diluted loss per share is disclosed as the same as the basic earnings per share as a loss was incurred in the year.

NOTE 6. CASH AND CASH EQUIVALENTS

	Consolidated	
	2014	2013
	$	$
Cash at bank and in hand	1,714,938	1,719,095

NOTE 7. INVENTORIES

	Consolidated	
	2014	2013
	$	$
Ore stockpile	25,142	-

Inventory write-downs charged to cost of sales for the year ended 30 June 2014 was $110,881 (2013: nil).

NOTE 8. OTHER RECEIVABLES

	Consolidated	
	2014	2013
	$	$
GST/VAT receivable	149,794	20,317
Loan to others	598,937	-
Other receivables	49,643	64,610
	798,374	84,927

Terms and conditions relating to the above financial instruments:

- Loan to others is unsecured, charge with interest rate of LIBOR + margin of 6% and repayable on demand.
- Other receivables are non-interest bearing and generally repayable within 30 days.
- Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2014	2013
	$	$
(a) Carrying amounts		
Furniture and Fittings – at cost	8,989	9,185
Accumulated depreciation	(3,197)	(1,604)
	5,792	7,581
Computer Equipment – at cost	26,534	25,829
Accumulated depreciation	(13,875)	(8,551)
	12,659	17,278
Plant and Equipment – at cost	75,333	77,275
Accumulated depreciation	(61,002)	(57,715)
	14,331	19,560
Office Equipment – at cost	40,487	46,233
Accumulated depreciation	(23,180)	(14,999)
	17,307	31,234
Leasehold Improvement – at cost	8,489	8,707
Accumulated depreciation	(2,688)	(1,016)
	5,801	7,691
Land – at cost	52,086	53,547
	52,086	53,547
	107,976	136,891

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in carrying amounts

Movements in the carrying amounts of each class of assets between the beginning and the end of the year:

	Furniture & Fittings $	Computer Equipment $	Plant & Equipment $	Office Equipment $	Leasehold $	Land $	Total $
2014 year							
Balance at 1 July 2013 net of accumulated depreciation	7,581	17,278	19,560	31,234	7,691	53,547	136,891
Additions	-	705		-	-	-	705
Disposals	-	-	-	-	-	-	-
Depreciation	(1,593)	(5,324)	(3,626)	(8,181)	(1,672)	-	(20,396)*
Foreign currency translation	(196)	-	(1,603)	(5,746)	(218)	(1,461)	(9,224)
Balance at 30 June 2014 net of accumulated depreciation	5,792	12,659	14,331	17,307	5,801	52,086	107,976
2013 year							
Balance at 1 July 2012 net of accumulated depreciation	5,437	24,433	13,541	21,612	-	-	65,023
Additions	3,603	2,305	12,803	20,533	8,708	53,547	101,499
Disposals	-	(3,172)	-	-	-	-	(3,172)
Depreciation	(1,202)	(6,288)	(5,854)	(9,501)	(1,016)	-	(23,861)
Foreign currency translation	(257)	-	(930)	(1,411)	-		(2,598)
Balance at 30 June 2013 net of accumulated depreciation	7,581	17,278	19,560	31,234	7,691	53,547	136,891

*During the year, total depreciation consisted of $7,888 (2013:$6,666) being charged to the Statement of Comprehensive Income and $12,508 (2013:$17,195) capitalised to exploration expenditure.

NOTE 10. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 2014 $	2013 $
Costs carried forward in respect to areas of interest:		
Exploration expenditure capitalised – at cost	7,623,978	6,631,246
Brought forward	6,631,246	20,069,142
Exploration expenditure capitalised	1,347,848	1,881,891
Acquisition of El Roble Project	160,629	-
Foreign currency movement on exploration expenditure	(414,362)	751,972
Acquisition of Comval Project	-	800,000
Write-offs during the year – Australian properties	(101,383)	(21,405)
Impairment - Comval Project*	-	(16,850,354)
Balance at reporting date	7,623,978	6,631,246

*During the previous year, the Directors have impaired the Comval Project by $16,850,354, of which $8,324,539 has been charged directly to its profit or loss. The balance of $8,525,415 has been offset against the fair value of the Cadan loan as disclosed in Note 14.

The Comval Project amounted to $6,081,357 (2013: $6,470,940) is included in the deferred exploration and evaluation expenditure. The Group is in the process of applying an extension of exploration permit from relevant authorities in the Philippines. The Directors believe that the extension will be granted in favour to the group in the near future.

The value of Company interest in exploration expenditure is dependent upon:

- the continuance of the rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploration of the areas of interest, or alternatively, by their sale.

The Australian exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

NOTE 11. NON-CURRENT ASSETS – OTHER

	Consolidated 2014 $	2013 $
Security deposit	-	3,607
Bond – Drill Rig	-	53,737
	-	57,344

NOTE 12. TRADE AND OTHER PAYABLES

	Consolidated	
	2014	2013
	$	$
Trade creditors	169,326	111,055
Other payables and accruals	66,006	155,837
Taxes payable – current	-	1,466
Total payables and accruals	235,332	268,358

Trade creditors are expected to be paid on 30 day terms.

NOTE 13. PROVISIONS

	Consolidated	
	2014	2013
	$	$
Annual leave	39,389	18,155

NOTE 14. LOAN PAYABLE

	Consolidated	
	2014	2013
	$	$
Balance at beginning of period	2,650,359	12,043,390
Advances received/(paid)	-	47,673
Payment for CIP Plant	-	(1,843,059)
Conversion of loan to equity	-	(111,952)
Writedown to fair value	-	(8,525,415)
Assignment of security deposit to Cadan Resources	(57,180)	-
Unwinding of interest free loan	1,080,256	-
Foreign currency translation	(336,214)	352,860
Balance at end of period	2,650,359	1,963,497

The loan terms are such that the timing of its repayment is based on the Comval Project achieving commercial production. As at the date of this report the time frames surrounding development of the Comval Project are uncertain. In calculating the fair value of the loan, management have used a best estimate for Comval achieving commercial production and the subsequent future loan repayments. Management's assumptions on the timing of the loan repayments in calculating the fair value of the loan are as follows:

- loan repayments to commence within 12 months of commercial operations;
- commercial operations to start 2 years after sole funding period ends (January 2017) i.e. commercial operations to start January 2019 and loan repayments to commence January 2020;
- the loan will be repaid by 2022; and
- A discount rate of 25% used to calculate the present value of the loan.

NOTE 15. ISSUED CAPITAL

	Consolidated 2014 $	Consolidated 2013 $
Fully paid ordinary shares	19,213,355	14,601,799

	Consolidated 2014		Consolidated 2013	
a) Ordinary Shares	$	Number	$	Number
At the beginning of the reporting period	14,601,799	191,442,724	8,899,657	50,202,344
Shares issued during the period				
• 5 September 2013 Placement tranche 1	717,910	28,716,408	-	-
• 30 October 2013 Placement tranche 2	2,055,653	82,226,102	-	-
• 19 November 2013 Placement final tranche	226,437	9,057,490	-	-
• 3 April 2014 Placement	2,101,614	75,057,141	-	-
• Various 2012 Rights issue	-	-	5,020,234	50,202,344
• 14 March 2013 Cadan – part consideration	-	-	300,000	5,952,381
• 12 June 2013 Entitlement issue	-	-	2,127,141	85,085,655
• Capital raising costs	(490,058)	-	(1,745,233)	-
At reporting date	19,213,355	386,499,865	14,601,799	191,442,724

Ordinary shareholders participate in dividends and the proceeds in winding up of the parent entity in proportion to the shares held.

b) Capital management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Company at 30 June 2014 is disclosed in Note 16.

c) Options

For details of options outstanding at year end, refer Note 26.

NOTE 16. WORKING CAPITAL

	Consolidated 2014 $	2013 $
Cash and cash equivalents	1,714,938	1,719,095
Trade and other receivables (excluding prepayments)	782,785	84,927
Trade and other payables and provisions	(274,721)	(286,513)
Working capital position	2,223,002	1,517,509

NOTE 17. COMMITMENTS

	Consolidated 2014 $	2013 $

a) The Company has tenements rental and expenditure commitments contracted for at the reporting date but not recognised as liabilities, payable:

	2014 $	2013 $
– Within one year	30,000	38,240
– One to five years	-	-
– More than five years	-	-
	30,000	38,240

b) The Company has lease commitments contracted for at the reporting date but not recognised as liabilities, payable:

	2014 $	2013 $
– Within one year	39,752	39,955
– One to five years	-	-
– More than five years	-	-
	39,752	39,955

c) The Company has entered into an option agreement on 13 August 2013 for the El Roble project with an option to acquire up to 90% interest, with an initial 68% interest. The consideration for the 68% interest is USD $8 million over four years from acquisition date as shown below in Australian dollars.

	2014 $	2013 $
– Within one year	1,059,400	-
– One to five years*	7,415,800	-
– More than five years	-	-
	8,475,200	-

*Under the agreement, the group can elect to pay the final consideration of USD$6million with equity.

NOTE 17. COMMITMENTS (Continued)

On 4 December 2013, the Group entered an agreement which gives the Group exclusive access to mine on the 3 concessions at the Panga Mine at the El Roble Copper project in Chile. The agreement entitles the Group to extract up to 5,000 tonnes of ore per month under the following conditions:

- minimum monthly payment of USD$2,000 per month, per concession;
- first USD$200,000 of revenue per month will be subject to 10% royalty;
- every subsequent dollar of revenue over USD$200,000 per month will be subject to 5% royalty; and
- the Group will be liable for the minimum monthly payments from January 2014.

On 12 May 2014, the Group entered into a lease agreement with SLM Panga who is the sole and exclusive owner of the mining possessions named Paraguay. This entitles the Group to extract up to 5,000 tonnes of ore per month under the current mine permit under the following conditions:

- minimum monthly payment of USD$2,000 per month, per concession;
- first USD$200,000 of revenue per month will be subject to 10% royalty;
- every subsequent dollar of revenue over USD$200,000 per month will be subject to 5% royalty; and
- the Group will be liable for the minimum monthly payments from May 2014.

NOTE 18. RESERVES

	Consolidated	
	2014	**2013**
	$	**$**
Option reserve		
Balance at beginning of year	3,901,450	2,612,269
Capital raising	118,254	1,007,356
Share-based payment	547,378	281,825
Balance at end of year	4,567,082	3,901,450
Foreign exchange reserve		
Balance at beginning of year	578,232	139,737
Change in reserve	(557,300)	438,495
Balance at end of year	20,932	578,232
Total reserves	4,588,014	4,479,682

NOTE 18. COMMITMENTS (Continued)

Options Reserve:

This reserve is used to record the value of equity benefits provided to employees, directors and consultants as part of their remuneration. Refer to Note 26.

Foreign Currency Translation Reserve

Foreign currency translation reserve records exchange differences arising on translation of the subsidiaries' functional currency (Philippine Peso and Chilean Peso) into presentation currency at balance date.

NOTE 19. ACCUMULATED LOSSES

	Consolidated	
	2014	**2013**
	$	**$**
Accumulated losses at the beginning of the financial year	(13,203,249)	(1,826,372)
Loss after income tax expense for the year	(3,728,668)	(11,376,877)
Accumulated losses at the end of the financial year	(16,931,917)	(13,203,249)

NOTE 20. CASH FLOW INFORMATION

	Consolidated	
	2014	**2013**
	$	**$**
a) **Reconciliation of Cash**		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash	1,714,938	1,719,095

NOTE 20. CASH FLOW INFORMATION (Continued)

b) **Reconciliation of Cash Flow from Operations with Operating Loss after Income Tax**

Operating loss after income tax	(3,842,556)	(11,311,130)
Non-cash flows in loss		
Depreciation	7,888	6,666
Income tax expense	-	132,720
Share-based payments	386,749	277,300
Loss on sale of assets	445	97,356
Revaluation of loan	1,080,256	-
Impairment of assets	-	8,346,344
Exploration costs written off	101,383	-
Reclassify exploration costs to investing activities	840,016	1,182,241
Foreign exchange differences (unrealised)	(70,536)	(374,759)
Changes in assets and liabilities		
Trade and other receivables	(182,215)	231,195
Trade and other payables	(83,075)	(531,399)
Provisions	21,234	(7,611)
Deferred tax liabilities	(41,005)	-
Net Cash Flow used in Operating Activities	(1,781,416)	(1,951,077)

Non Cash Financing and investing Activities

i. Share Issue

No shares were issued in lieu of services during the year ended 30 June 2014.

ii. Option Issue

The following options were issued during the year not included in financing and investing activities.

- 12 million options issued to Apex Boom Limited for a finders fee amounted to $160,629 included in capitalised exploration costs.
- 12 million options issued to Cygnet Capital Pty Ltd for capital raising fee amounted $118,254 included in statement of changes in equity.

NOTE 21. RELATED PARTY TRANSACTIONS

(a) Subsidiaries

The consolidated financial statements include the financial statements of Metallum Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	Equity interest 2014 %	Equity interest 2013 %
MNE Holdings Pty Ltd	Australia	100	100
Phil-Aust Holdings Pty Ltd	Australia	100	100
Agusan Metals Corporation (AMC) (formerly Philco Mining Corp)	Philippines	80	80
Comval Property Pty Ltd	Australia	100	100
Marlin Mining Corporation	Philippines	100	100
MNE Philippine Realty, Inc	Philippines	40	40
Atacama Holdings Pty Ltd	Australia	100	100
Mining Group Chile Ltda	Chile	100	100
Minera El Roble SpA	Chile	100	-
Minera Panga SpA	Chile	100	-

Other than as stated above and the remuneration disclosed in Note 2 and the Remuneration Report section of the Directors' Report, there has been no related party transactions during the financial year.

NOTE 22. PARENT ENTITY DISCLOSURES

Statement of Financial Position

	2014 $	2013 $
Assets		
Current assets	1,682,126	1,543,911
Non-current assets	5,459,738	13,528,869
Total assets	7,141,864	15,072,780
Liabilities		
Current liabilities	136,528	168,346
Total liabilities	136,528	168,346
NET ASSETS	7,005,336	14,904,434
Equity		
Issued capital	19,213,355	14,601,799
Reserves	4,567,084	3,901,450
Accumulated losses	(16,775,103)	(3,598,815)
Total equity	7,005,336	14,904,434

Statement of comprehensive income

	2014 $	2013 $
Loss for the year	(13,176,288)	(2,046,125)
Other comprehensive income	-	-
Total comprehensive income	(13,176,288)	(2,046,125)

a) Contingent liabilities

As at 30 June 2014 and 30 June 2013, the Company had no contingent liabilities.

b) Contractual Commitments

As at 30 June 2014 and 30 June 2013, the Company had no contractual commitments to purchase property, plant and equipment.

c) Guarantees entered into by parent entity

As at 30 June 2014 and 30 June 2013, the Company had not entered into any guarantees.

NOTE 23. FINANCIAL INSTRUMENTS

a) **Financial Risk Management**

The Group's financial instruments consist mainly of deposits with banks, short-term investments, and accounts receivable and payable.

The main purpose of non-derivative financial instruments is to raise finance for the Group's operations.

Derivatives are not currently used by the Group for hedging purposes. The Group does not speculate in the trading of derivative instruments.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2014	2013
		$	$
Financial Assets			
Cash and cash equivalents	6	1,714,938	1,719,095
Other receivables (excludes prepayments)	8	782,785	84,927
Total Financial Assets		2,497,723	1,804,022
Financial Liabilities			
Trade and other payables	12	235,332	268,358
Loans payable	14	2,650,359	1,963,497
Total Financial Liabilities		2,885,691	2,231,855

i. Treasury Risk Management

The full Board of the Company meets on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii. Financial Risks

The Group's financial instruments consist mainly of deposits with banks, short-term investments, and accounts receivable and payable. The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk, and market risk (being equity price risk).

iii. Interest rate risk

The Group does not have any debt that may be affected by interest rate risk. As disclosed in Note 14, interest on the shareholders loan from Cadan accrues upon commencement of commercial production which is not expected to occur before January 2019.

iv. Currency Risk

Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency of the Group. The Group deposits are denominated in Philippines Peso, Chilean peso and Australian dollars. At the year end the majority of loans payable were held in Canadian dollars. Currently there are no foreign exchange programs in place. The Group treasury function manages the purchase of foreign currency to meet operational requirements. The impact of reasonably possible changes in foreign exchange rates for the Group has potential to be material. The Group monitors this risk on a regular basis.

NOTE 23. FINANCIAL INSTRUMENTS (Continued)

v. Sensitivity analysis

At 30 June 2014, if interest rates had changed by -/+ 75 basis points from the weighted average rate for the period with all other variables held constant, post-tax loss for the group would have been $12,862 (2013: $12,893) lower/higher as a result of lower/higher interest income from cash and cash equivalents

vi. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk by preparing forward looking cash flow analysis in relation to its operational, investing and financing activities and monitoring its cash assets and assets readily convertible to cash in the context of its forecast future cash flows. The Group continually monitors its access to additional equity capital should that be required, maintains a reputable credit profile and manages the credit risk of its financial assets.

vii. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

Credit risk related to balances with banks and other financial institutions is managed by the full Board in accordance with approved Board policy.

	Note	2014	2013
		$	$
Cash and cash equivalents	6	1,714,938	1,719,095
		1,714,938	1,719,095

viii. Market Risk – Equity/Securities Price Risk

The Group is not exposed to securities price risk on investments held for trading or for medium to longer term as no such investments are currently held.

b) **Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Company at the balance date are recorded at amounts approximating their carrying amount.

NOTE 23. FINANCIAL INSTRUMENTS (Continued)

c) **Interest Rate Risk**

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

	Floating Interest Rate	Fixed Interest Rate 1 Year or Less	Fixed Interest Rate 1 to 5 Years	Non-Interest Bearing	Total	Weighted Effective Interest Rate
	2014 $	2014 $	2014 $	2014 $	2014 $	2014 %
Financial Assets						
Cash	1,714,938	-	-	-	1,714,938	0.14%
Trade & other receivables	-	-	-	782,785	782,785	N/A
Total Financial Assets	1,714,938	-	-	782,785	2,497,723	
Financial Liabilities						
Trade & other payables	-	-	-	235,332	235,332	N/A
Loans payable	-	-	-	2,650,259	2,650,259	N/A
Total Financial Liabilities	-	-	-	2,885,591	2,885,591	

	Floating Interest Rate	Fixed Interest Rate 1 Year or Less	Fixed Interest Rate 1 to 5 Years	Non-Interest Bearing	Total	Weighted Effective Interest Rate
	2013 $	2013 $	2013 $	2013 $	2013 $	2013 %
Financial Assets						
Cash	1,719,095	-	-	-	1,719,095	2.97%
Trade & receivables	-	-	-	84,927	84,927	N/A
Total Financial Assets	1,719,095	-	-	84,927	1,804,022	
Financial Liabilities						
Trade & other payables	-	-	-	268,358	268,358	N/A
Loans payable	-	-	-	1,963,497	1,963,497	N/A
Total Financial Liabilities	-	-	-	2,231,855	2,231,855	

NOTE 24. OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of business category and geographical areas. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Segment assets

Where an asset is used across multiple segments, the asset is allocated proportionately to the applicable segments based on its use. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

Intersegment transactions

There are no intersegment sales and purchase within the Group.

Intersegment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs.

NOTE 24. OPERATING SEGMENTS (Continued)

i) Segment performance

Consolidated 2014	**Corporate $**	**Australia Exploration $**	**Overseas Exploration $**	**Total $**
Revenue				
External sales	-	-	-	-
Other external revenue	39,120	-	30,571	69,691
Inter-segment sales	-	-	-	-
Total segment revenue	39,120	-	30,571	69,691
Inter-segment elimination				-
Total revenue per statement of comprehensive income				69,691
Results				
Segment result from continuing operations before tax	(1,586,004)	(118,777)	(2,201,753)	(3,906,534)

Consolidated 2013	**Corporate $**	**Australia Exploration $**	**Overseas Exploration $**	**Total $**
Revenue				
External sales	-	-	-	-
Other external revenue	49,600	-	86	49,686
Inter-segment sales	-	-	-	-
Total segment revenue	49,600	-	86	49,686
Inter-segment elimination				-
Total revenue per statement of comprehensive income				49,686
Results				
Segment result from continuing operations before tax	(1,472,880)	(21,405)	(9,684,125)	(11,178,410)

NOTE 24. OPERATING SEGMENTS (Continued)

ii) Segment assets and liabilities

Consolidated	Corporate	Australia Exploration	Overseas Exploration	Total
	$	$		$
2014				
Segment assets				
Segment assets	2,621,286	58,925	7,950,197	10,270,408
Total assets of the consolidated entity				10,270,408
Exploration expenditure during the year	-	-	1,508,477	1,508,477
Segment liabilities				
Segment operating liabilities	(109,139)	(27,389)	(3,128,544)	(3,265,072)
Total liabilities of the consolidated entity				(3,265,072)

Consolidated	Corporate	Australia Exploration	Overseas Exploration	Total
	$	$		$
2013				
Segment assets				
Segment assets	1,826,127	160,306	6,643,070	8,629,503
Total assets of the consolidated entity				8,629,503
Exploration expenditure during the year	-	-	2,681,891	2,681,891
Segment liabilities				
Segment operating liabilities	168,812	-	2,462,195	2,631,007
Total liabilities of the consolidated entity				2,631,007

(iv) Revenue by geographical region

There is no revenue attributable to external customers.

(v) Assets by geographical region

All reportable segment assets are located in Australia, Philippines and Chile.

NOTE 25. SHARE-BASED PAYMENTS

During the year, the Company issued the following options as share based payments:

- 21,000,000 unlisted options to employees and directors of the Group. Details of those issues are detailed in Note 26;
- 12,000,000 unlisted options to Apex Boom Limited as finders fee; and
- 12,000,000 listed options issued to Cygnet Capital Pty Ltd as a consulting fee.

NOTE 26. SHARE OPTIONS

At the end of the year, there are 217,115,050 (2013: 112,515,057) options over unissued shares as follows:

	2014		2013	
	Number of options	**Weighted average exercise price (cents)**	**Number of options**	**Weighted average exercise price (cents)**
Outstanding at beginning of the year	112,515,060	12	24,172,230	20
Granted – share- based payment	15,000,000	5	500,000	45
	8,000,000	3.4	10,000,000	20
	10,000,000	3.7	300,000	25
	-	-	22,500,000	5
Granted – free attach options	59,999,990	5	12,500,000	20
	-	-	42,542,830	5
Granted - capital raisings costs	12,000,000	5	-	5
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	(400,000)	55	-	-
Outstanding at year-end	217,115,050	8.5	112,515,060	12
Exercisable at year-end	212,365,050	-	107,265,060	-

a) Expenses arising from share-based payment transactions

- $386,749 (2013: $277,300) has been recognised share based payment expense during the year.
- $118,254 (2013: $1,007,356) has been recognised in capital raising costs in statement of changes in equity during the year.
- $160,629 (2013:Nil) has been recognised in exploration and evaluation assets in statement of financial position during the year.

Unlisted Options

The fair value of the 33,000,000 (2013: 4,800,000) unlisted options granted during the year ended 30 June 2014 was determined using the following option pricing models and weighted average inputs to the model:

NOTE 26. SHARE OPTIONS (Continued)

2014

Number of options over shares	12,000,000	8,000,000	10,000,000	1,000,000	2,000,000
Option pricing model fair value	$0.013	$0.016	$0.017	$0.017	$0.013
Share price at grant date	$0.023	$0.023	$0.023	$0.026	$0.027
Exercise price	$0.05	$0.034	$0.037	$0.05	$0.05
Expected volatility	125%	125%	125%	125%	111%
Option life (years)	2.70	3.00	4.01	3.17	2.24
Expected dividends	-	-	-	-	-
Risk-free rate	2.98%	2.98%	3.18%	2.83%	2.83%
Discount	-	-	-	-	-

2013

Number of options over shares	500,000	2,500,000	1,250,000	200,000	250,000	50,000	50,000
Option pricing model fair value	$0.017	$0.046	$0.012	$0.046	$0.055	$0.09	$0.101
Share price at grant date	$0.10	$0.10	$0.10	$0.12	$0.12	$0.18	$0.18
Exercise price	$0.45	$0.20	$0.20	$0.20	$0.25	$0.20	$0.25
Expected volatility	100%	100%	100%	100%	100%	100%	100%
Option life (years)	1.82	2.78	2.96	2.02	3.02	1.96	2.96
Expected dividends	-	-	-	-	-	-	-
Risk-free rate	2.35%	2.25%	2.25%	2.62%	2.62%	2.60%	2.60%
Discount	-	-	75%	-	-	-	-

The Black Scholes Option Pricing Model was used for all of the above valuations.

Listed Options

The fair value of the 12,000,000 (2013: 28,500,000) listed options granted during the year ended 30 June 2014 as a share based payment was determined using the Black Scholes Option Pricing Model as follows:

	2013		**2014**
Number of options over shares	6,000,000	22,500,000	12,000,000
Underlying share price	$0.098	$0.025	$0.023
Exercise price	$0.20	$0.05	$0.05
Expected volatility	100%	140%	125%
Expiry date	1 July 2014	1 July 2014	30 June 2015
Risk-free interest rate	2.25%	2.83%	2.72%
Value per option	$0.034	$0.015	$0.010
Share based payment	$203,320	$332,356	$118,254

NOTE 27. CONTINGENT LIABILITIES AND OTHER CONTINGENCIES

There are no matters or circumstances that have arisen since 30 June 2014 other than disclosed above that have or may significantly affect the operations, results, or state of affairs of the company in future financial years.

NOTE 28. NEW ACCOUNTING STANDARDS APPLICABLE IN FUTURE PERIOD

The Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

Reference	**Title**	**Summary**	**Application date**
AASB 9	*Financial Instruments*	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2017
AASB 2012-3	Amendments to Australian Accounting Standards – *Offsetting Financial Assets and Financial Liabilities*	AASB 2012-3 principally amends AASB 7 Financial Instruments: *Disclosures* to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities, on the entity's financial position, when the offsetting criteria of ASB 132 are not all met.	1 January 2014
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non- Financial Assets	Address inconsistencies in current practice when applying the offsetting criteria in AASB 132 Financial Instruments: Presentation. Clarifies the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.	1 January 2014

NOTE 29. EVENTS SUBSEQUENT TO REPORTING DATE

- As announced on 16 July 2014, the Group commenced trucking copper-bearing material from its Panga Mine at the El Roble Project, located in Chile.
- On 7 August 2014, the Group announced confirmation of wide-spread high grade copper results at its El Roble Project.
- On 13 August 2014, the Group announced it has extended its option agreement for its Australian based project, Teutonic and withdrew from its Boorara Project.
- On 15 August 2014, the Group announced the detection of significant EM conductor at its Australian based Teutonic project.
- On 27 August 2014, the Group announced it has entered into an option to acquire 100% of the San Sebastian concessions through Minera Panga SpA. Consideration for the 100% interest is US$250,000, which MNE will pay in three instalments over 12 months.
    - First payment of $83,333 is payable immediately, $83,333 payable 6 months from date of execution of the option agreement and $83,333 payable 12 months from date of execution of the option agreement.

NOTE 29. EVENTS SUBSEQUENT TO REPORTING DATE (Continued)

  - During the option period, the Group has full and sole rights to explore the concessions and has the ability to pay the full consideration at any time within a 12-month period from signing the agreement, at which time it then has the right to exploit (mine) from the concessions. The Group has the right to withdraw from the option agreement at any time during the 12- month period and will forego any option payments paid as of the withdrawal date.
- On 10 September 2014, the Group provided an update of the exploration activities at San Sebastian and Panga Mines at the El Roble project located in Chile.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

NOTE 30. COMPANY DETAILS

The registered office and principal place of business of the Company is:

Ground floor, Suite 1
83 Havelock Street
WEST PERTH, WA 6005

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1) The financial statements and notes attached hereto, are in accordance with the Corporations Act 2001 and:

   a) comply with Accounting Standards and the Corporations Regulations 2001; and

   b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and

   c) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Group;

2) the declarations required by section 295A of the Corporations Act 2001 have been received by the directors.

In the Director's opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

WINTON WILLESEE
Non-Executive Chairman

DATED this 30th day of September 2014

RSM Bird Cameron Partners
8 St George's Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 **F** +61 8 9261 9101
www.rsmi.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
METALLUM LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Metallum Limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 Metallum Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Metallum Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Metallum Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Rsm Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

Perth, WA
Dated: 30 September 2014

TUTU PHONG
Partner