



METALLUM LIMITED

ABN 73 149 230 811

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2014

METALLUM LIMITED

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METALLUM LIMITED

CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Shannon Coates

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(ASX: MNE, MNEOB)

METALLUM LIMITED

DIRECTORS' REPORT

The Directors of Metallum Limited and its subsidiaries ("the Group" or "Consolidated Entity") submit herewith the financial report of the Company for the half-year ended 31 December 2014.

DIRECTORS

The names of the Directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated:

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

RESULTS

The net loss for the half-year attributable to members of the Consolidated Entity was \$3,183,335 (2013: \$2,337,782).

REVIEW OF OPERATIONS

Metallum Limited (ASX: MNE) is an Australian-based company that acquires and develops copper and gold projects around the world, with a focus on Chile. The Company has an option to acquire up to a 90% interest in the highly prospective, high grade El Roble Copper Project in Region III of Chile, targeting IOCG-style copper and gold mineralisation, and has also acquired the San Sebastian concession, which covers 50 hectares over a major mineralised structure adjoining the El Roble Project area.

The Company is focused on achieving growth and shareholder value through the development of near-term, small-scale mining operations at El Roble which is expected to enable self-funded growth into the future. El Roble is ideally located 25 kilometres from the port of Caldera and within 90 kilometres of three copper toll treatment plants within the world class Atacama IOCG region, which has a history of high-grade copper production.

Metallum also has an 80% interest in the Comval Copper Project in the Philippines, and its Australian project, Teutonic, is prospective for gold and base metals.

During the half year ended 31 December 2014, the Company pursued its key strategy of achieving small-scale, high grade copper production in the near term at El Roble, in order to generate income to further grow and develop the El Roble Copper Project and the Company.

El Roble Copper Project – Chile (Option to acquire up to 90%)

The El Roble Copper Project is located approximately 25 kilometres east of the port city of Caldera, within Region III of Chile (Figure 1). The Project is ideally located on the coast in the vicinity of an operating port, within 80 kilometres of Copiapo, a major regional mining centre, and within 90 kilometres of three copper toll treatment plants. The El Roble Copper Project consists of more than 7,800 hectares of granted concessions and applications covering a strike extensive, IOCG associated copper/gold vein system. The Project produced between 500,000 tonnes and 1Mt of copper-bearing ore at a cut-off grade of 9% copper during the latter half of the 19th century.

METALLUM LIMITED DIRECTORS' REPORT

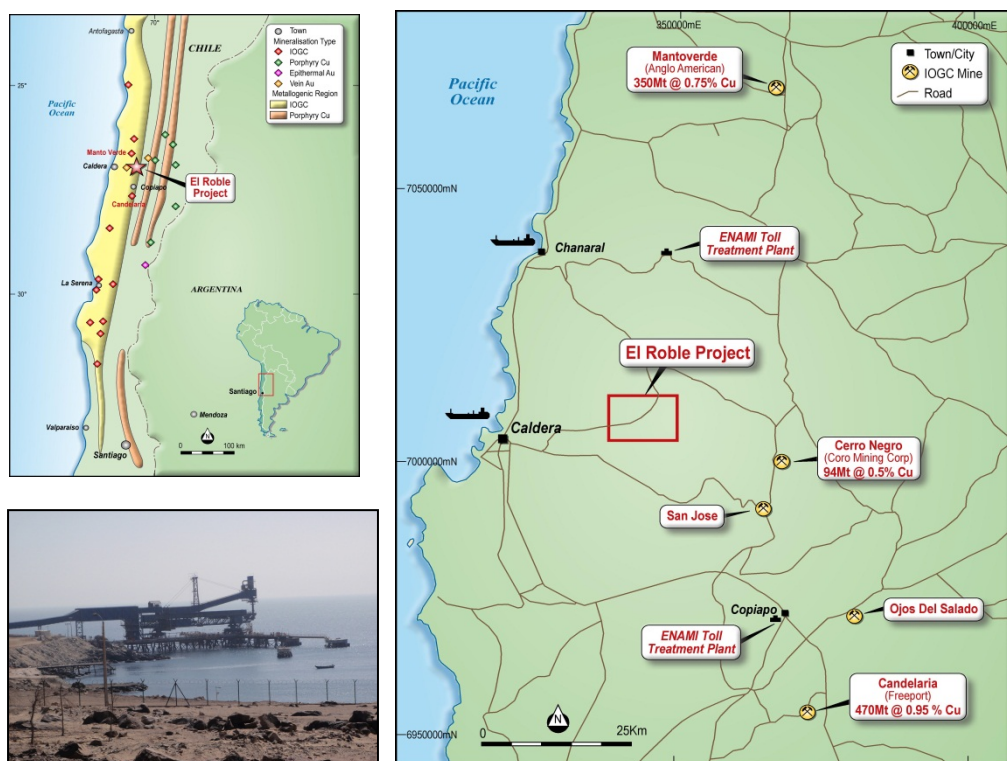


Figure 1 – Location Map for the El Roble Copper Project, Chile

During the half year ended 31 December 2014, Metallum also completed the acquisition of 100% of the San Sebastian concession, which covers 50 hectares over a major mineralised structure adjoining the Company's El Roble Copper Project area in Chile, and commenced mining.

The acquisition of San Sebastian further consolidated the Company's holding over the El Roble vein system, with San Sebastian centrally located in the vein system. Previous mining at the concession extracted material from a main mineralised structure averaging approximately 3 metres in width along 300 metres of strike length. A ground magnetics survey identified this as a northern extension of the structure currently being mined by the El Roble project owner at the high-grade Descubridora mine.

Mining development activities were focused at the Panga, Paraguay and San Sebastian mines at El Roble during the six month period to 31 December 2014. During the period, the Company extracted approximately 2,000 tonnes of high grade copper bearing material from El Roble and 1,571 tonnes were trucked to the ENAMI plant in Copiapo. The majority of this material was extracted from stope access shafts at the San Sebastian mine during December.

Material delivered to ENAMI during the month of December 2014 achieved an average grade of 4.72% Cu and an average sale price of AU\$239.43 per tonne.

San Sebastian Concession and Mine

During the period, Metallum announced high grade results from the San Sebastian exploration tunnel including face sampling:

- 1.55m @ 18.35% Cu
- 1.50m @ 11.65% Cu
- 0.80m @ 16.32% Cu and 6.37g/t Au
- 0.90m @ 7.05% Cu and 3.75 g/t Au (ASX Announcement 1 October 2014)

METALLUM LIMITED DIRECTORS' REPORT

Follow up sampling at San Sebastian further improved copper grades and high-grade gold, with results announced to ASX on 14 October 2014 including:

- 0.55m @ 35.00% Cu / 4.29g/t Au
- 0.50m @ 18.55% Cu / 1.17g/t Au
- 0.60m @ 12.85% Cu / 2.81g/t Au
- 1.50m @ 9.15% Cu / 1.15g/t Au

Receipt of a mining permit for the San Sebastian mine was announced on 20 October 2014. Development activities at the San Sebastian mine (Figure 2) consisted of horizontal development of the 1030 level prior to taking full ownership of the concession. The extraction of stope access shafts between the 1030 level and the 1090 level above then commenced during the month of December. Horizontal development work included the installation of the 1030 level tunnel within the mineralised vein, approximately 50 metres below where the vein has been mined historically along a length of approximately 300 metres and a depth of 50 metres.

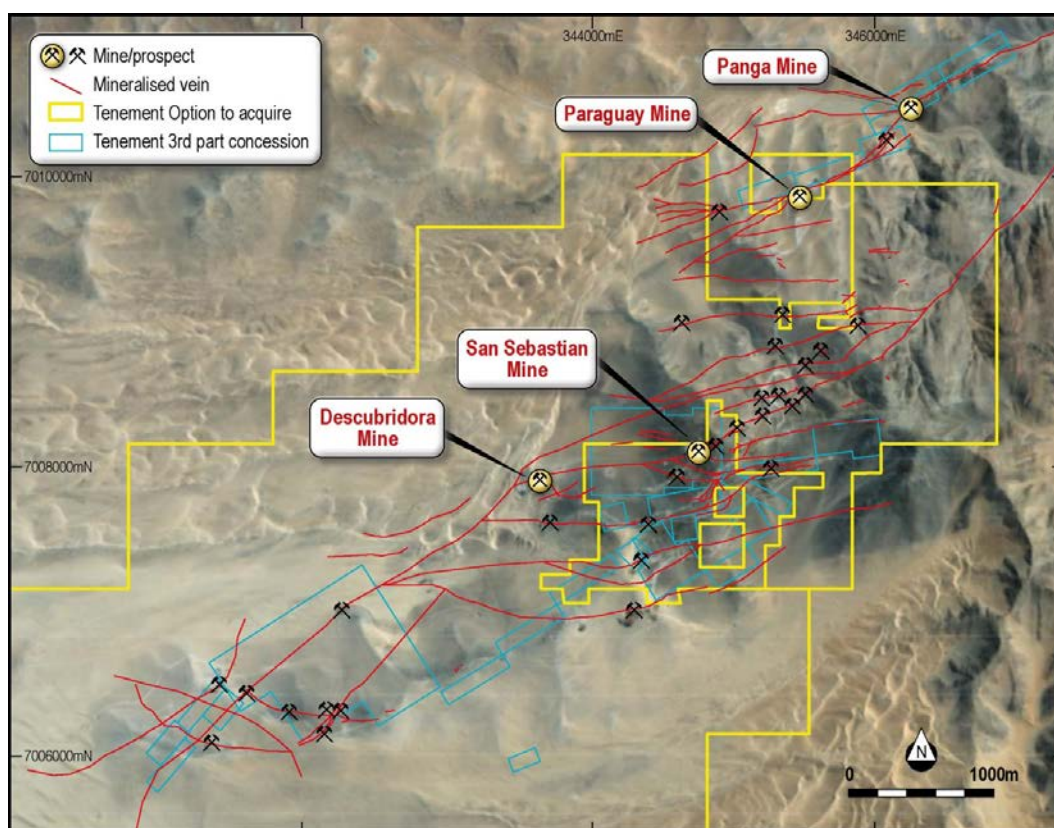


Figure 1 – Map of the north east sector of the El Roble Project showing the location of the San Sebastian, Panga and Paraguay mines within a strike continuous mineralised corridor where Metallum has mapped over 60km of prospective veins.

The exploration tunnel has nominal dimensions of 2.20 metres wide by 2.20 metres high and has delineated high-grade copper and gold mineralisation over 40 metres of exposed vein. The vein width varies from 0.50 metres to 3.00 metres and averages 1.60 metres in width.

Within the high grade zone three access shafts were commenced advancing up to the 1090 level within the mineralised vein. These shafts will be used to establish a production stope on the high grade zone utilising a shrink stope mining method.

METALLUM LIMITED

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On 23 December 2014, the Company announced it had identified a second potential high grade copper mine on the 100% owned San Sebastian concession. Metallum identified the Viuda vein, only 225 metres south of the San Sebastian mine, as having high potential to provide an additional small scale underground mining area on the San Sebastian concession. Initial sampling and mapping of the existing underground tunnel has identified a high grade copper zone over 50 metres along strike which has returned grades of up to 10.55% Cu and 2.82 g/t Au (ASX Announcement 23 December 2014).

Panga Mine

At the historic Panga mine within the El Roble Copper Project area (Figure 2) the Company commenced trucking copper-bearing material during the period, after receiving a permit from the ENAMI, Manuel Antonio Matta Plant, Copiapo to deliver copper-bearing material.

During the half year period, the Company extracted approximately 720 tonnes of copper-bearing material from the Panga mine which were delivered to the plant.

During December 2014, the Company re-assessed its activities at Panga and opted to cease mining activities there for the near term. The mine produced low tonnages and subdued grades and this has been interpreted to be a function of copper leaching due to the proximity to the water table. Although the vein maintained a consistent width of between 1.00 and 2.50 metres, grade distribution within the vein was sporadic and resulted in small localised mining panels being extracted. The Company made the decision to re-deploy the available workforce and equipment from Panga to San Sebastian and Paraguay, which are expected to be the main focus for the Company's activities into 2015.

All current stoping areas at Panga have been depleted, with material having been trucked to the ENAMI plant for processing. The Company plans to continue minor development to the south of the lower 956 level to assess the potential of further high grade copper zones suitable for stoping in the future.

Paraguay Mine

The Paraguay mine is located approximately 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 Company has identified a high-grade zone from detailed sampling carried out previously (ASX Announcements 18 February 2014 and 13 March 2014) which returned single assays of up to 17.50% Cu and a consistent 1.50 metres to 3.20 metres of mineralised width ranging in grade from 2.00% Cu to 6.89% Cu exposed within the tunnel developed along the vein.

The mineralised zone is open along strike in both directions and provides the Company with immediate access to high-grade copper-bearing material for extraction.

The Company was granted a permit to extract up to 5,000 tonnes per month from the Paraguay mine (Note: The permit to extract up to 5,000 tonnes per month is not a production target). Since obtaining the permit, the Company has mobilised a work crew to the mine and begun preparatory work to extract the high grade stoping panel delineated from previously announced sampling results.

This preparatory work will consist of the installation of drawpoints and access shafts into the stoping panel utilising the same mining methodology as for the San Sebastian mine.

The focus at Paraguay is to bring the first stoping area on line as quickly as possible, with the Company aiming to begin trucking of copper bearing material from Paraguay during the March 2015 quarter.

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Comval Copper Gold Project – Philippines (MNE – 80% interest)

The Comval Copper Gold Project is located in the established copper and gold producing region of the Compostela Valley in the Mindanao province of the Philippines. It consists of two exploration permits, EP-00001-XI (EP1) and EP-00002-09-XI (EP2), covering an area of 4310 hectares, which are prospective for copper and gold.

A number of major copper and gold deposits occur within the same geological district, and the Project has potential for large-scale copper gold porphyry mineralisation and high-grade epithermal gold mineralisation. It is located within the East Mindanao Ridge, which is a world class copper/gold province that hosts major deposits such as Kingking (St Augustine; 5 billion lb copper, 10.3 million oz gold), Dilwalwal (Philippines Mining Development Corp; 10 million oz gold) and CoO (Medusa; 2.5 million oz gold).

During the period, the Company continued to hold the Project on care and maintenance, working with the local communities to ensure ongoing support for any future activities by the Company at Comval.

Australian Projects

Boorara Project, Western Australia (Option to acquire up to 70% interest)

The Company elected to withdraw from the Boorara Project during the period following a review of both Australian project areas and its decision to focus on small-scale copper production at El Roble.

Teutonic Project, Western Australia (Option to acquire up to 70% interest)

The Teutonic Project is 30 kilometres north of Leonora, WA and is prospective for base metals and gold.

During the September 2014 quarter, Metallum announced the discovery of a significant bedrock electromagnetic (EM) conductor at Teutonic.

The Company believes the Teutonic tenement is prospective for VMS style Cu-Pb-Zn-Ag mineralisation similar to that known in the region and completed a ground MLEM survey within a corridor of prospective geology containing the Jaguar, Bentley and Teutonic Bore Volcanogenic Massive Sulphide (VMS) deposits (Figure 3). Processing and modelling of the EM data identified a strong, coherent 350m-long west dipping conductor, positioned within the prospective VMS corridor.

METALLUM LIMITED DIRECTORS' REPORT

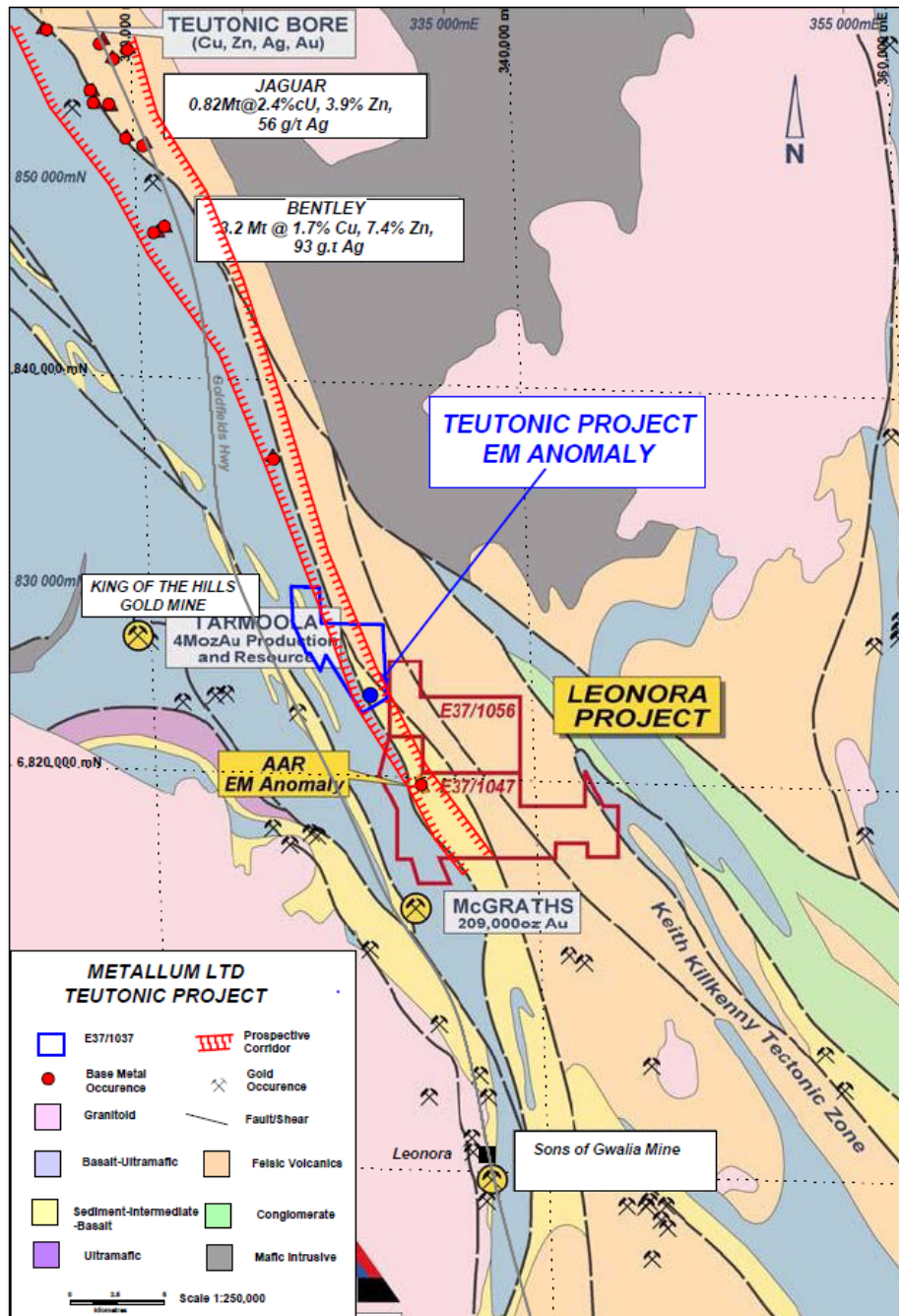


Figure 3 – Regional Geology and location map for the Teutonic Base Metals Project and proximity to the Jaguar, Bentley and Teutonic Bore deposits.

During the half year ended 31 December 2014, Outer Rim Exploration Services undertook an initial 10-line moving loop EM (MLEM) survey at Teutonic, and surveyed an additional four infill lines which were over the identified EM conductor. Survey lines were initially spaced at 150 metres with infill lines at 75 metres.

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DIRECTORS' REPORT

The Mustang EM bedrock conductor identified in the survey has a strong late-time EM response, indicative of a conductive zone within the bedrock which may be caused by massive or semi-massive base metal sulphide mineralisation. The Company is cognisant of the fact that sulphidic black shales known to be within the sequence may also be the cause of the EM anomaly, however the discrete nature and the modelled source of the conductor are consistent with possible alternatives, one being VMS-style mineralisation.

The EM response profile has similarities to the profiles generated by the VMS mineralisation at the Jaguar mine and also has similar overall dimensions as Jaguar, within the prospective geological corridor.

The Mustang EM conductor has been modelled to define a source body, and the results indicate the presence of a strong bedrock conductor with a strike length of 350 metres and a depth extent of 250 metres. The top of the conductor sits approximately 135 metres from the surface and it dips at 75 degrees to the south-west. The area is affected by a deep weathering profile of up to 100 metres.

Historical drilling in the vicinity of the conductor consists of shallow (up to 70 metres deep) RAB and aircore holes. Metallum has reviewed the drilling and reinterpreted the geology from remnant drill spoil piles, as well as compiling geochemical data, and identified a low-level copper and zinc anomaly coincident with the location of the bedrock EM conductor.

The Company successfully applied for a co-funded drilling grant under the Department of Mines and Petroleum's Exploration Incentive Scheme (EIS) and 50% of any drilling costs for the proposed drill program will be paid for under the EIS up to a maximum of \$70,000. The grant is valid until 31 December 2015. The Company intends on drilling the Mustang EM anomaly during the 2015 calendar year.

Metallum also extended the option agreement at Teutonic for a further three years during the period.

Corporate

As announced on 17 November 2014, the Company executed an agreement for up to US\$1,020,000 in funding from a sophisticated institutional investor ("Agreement"), to provide Metallum with funding to progress the ramp up of production at the San Sebastian and Paraguay mines, as well as ongoing general working capital. Funding was to be provided via the issue of three convertible securities for US\$270,000, up to US\$500,000 and US\$250,000 respectively.

In December 2014, the investor provided US\$270,000 in funding in consideration for which the Company issued a single 12 month unsecured convertible security with a face value of US\$308,000. Post the end of the period, on 20 January 2015 a further US\$350,000 in funding was provided and a second convertible security, with a face value of US\$403,200, was issued by the Company. A further US\$250,000 is available in funding pursuant to the terms of the Agreement.

In the period to 31 December 2014, US\$100,000 of the first convertible security was converted to 13,550,111 shares. Post the end of the period, a further US\$274,500 was converted and 35,246,829 shares issued in full conversion of the first convertible security and part conversion of the second convertible security.

On the 10 December 2014 the Company announced it had entered into a loan agreement on commercial arm's length terms for the amount of \$250,000 with the Company's Non-executive Director Mr Colin 'Cobb' Johnstone. The loan was utilised to finalise the acquisition of the San Sebastian concession and general working capital.

Post the end of the period, on 9 March 2015 the Company raised \$560,000 via the issue of 56 million shares at an issue price of \$0.01 to fund an option payment pursuant to the option agreement for the El Roble Project and working capital to accelerate mining activities at El Roble.

METALLUM LIMITED

DIRECTORS' REPORT

Further, the Company has in place a flexible financing facility in place that, subject to certain share market conditions, allows the Company to access up to approximately \$5,000,000 in funding. Since commencement of the facility the Company has accessed \$89,480 in equity capital (on 20 January 2015).

Competent Person's Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Zeffron Reeves (B App Sc (Hons) (Applied Geology) MBA, MAIG), a member of the Australian Institute of Geoscientists and is an employee of the Company. 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. 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 announcement.

EVENTS SUBSEQUENT TO REPORTING DATE

- On 6 January 2015, the Company issued 20,629,556 shares on part conversion (\$185,666/US\$150,000) of the first convertible security;
- On 20 January 2015, the Company issued a second convertible security for \$420,000 (US\$350,000) to be used for working capital;
- On 20 January 2015, the Company raised a further \$89,480 (before costs) for working capital;
- On 25 February 2015, the Company converted \$160,790 (US\$124,500) and issued 14,617,273 shares on full conversion of the first convertible security and part conversion of the second convertible security; and
- On 9 March 2015, the Company raised \$560,000 (before costs) for working capital via the issue of 56 million shares at an issue price of \$0.01 per share. At the same time, 3 million options (exercisable at \$0.019, expiring on or before 9 March 2019) were issued to employees pursuant to the Company's Employee Incentive Option Plan.

Other than the above, no matter or circumstance has arisen since the end of the half-year which has significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company as reported for the half-year ended 31 December 2014.

AUDITOR'S DECLARATION OF INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the review for the half-year ended 31 December 2014 is included within this financial report.

Signed in accordance with a resolution of the Directors.



Winton Willesee
Non-Executive Chairman
Perth, 16 March 2015

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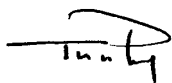
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Metallum Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Rsm Bird Cameron Partners

RSM BIRD CAMERON PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 16 March 2015

METALLUM LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2014

	Note	Consolidated 31 December 2014 \$	Consolidated 31 December 2013 \$
Revenue	2	167,090	-
Cost of sales		(723,201)	-
Gross loss		(556,111)	-
Interest income	2	8,658	37,035
Other financial fees		(167,121)	(3,948)
Consultant and legal fees		(147,882)	(183,630)
Employee benefits expense		(370,854)	(365,888)
Administrative expenses		(54,931)	(43,339)
Corporate and compliance fees		(99,021)	(117,629)
Depreciation and amortisation		(212,603)	(3,743)
Exploration and evaluation expenditure		(168,986)	(548,584)
Equity based payments		(23,588)	(337,700)
Unrealized gain / (loss) on foreign exchange		(464,795)	(95,199)
Interest expense of loan		(381,927)	(783,538)
Other expenses		(168,705)	(160,391)
Loss before income tax expense		(2,807,866)	(2,606,554)
Income tax (expense) / refund		(366,512)	29,204
Net loss for the period		(3,174,378)	(2,577,350)
Other comprehensive (loss) / income, net of income tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operation		1,723,109	50,516
		1,723,109	50,516
Total comprehensive loss for the period (net of tax)		(1,451,269)	(2,526,834)
Loss attributable to:			
Members of Metallum Limited		(3,183,335)	(2,337,782)
Non-controlling interest		8,957	(239,568)
		(3,174,378)	(2,577,350)
Total comprehensive loss attributable to:			
Members of Metallum Limited		(1,450,159)	(2,321,831)
Non-controlling interest		(1,110)	(205,003)
		(1,451,269)	(2,526,834)
Loss per share			
Basic and diluted (loss) per share (cents per share)		(0.82)	(0.98)

The accompanying notes form part of these financial statements

METALLUM LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

		Consolidated	Consolidated
		31 December	30 June
	Note	2014	2014
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		107,700	1,714,938
Inventory		148,501	25,142
Other receivables		338,177	798,374
Total Current Assets		594,378	2,538,454
Non-Current Assets			
Property, plant and equipment		106,428	107,976
Exploration and evaluation expenditure	5	10,670,825	7,623,978
Total Non-Current Assets		10,777,253	7,731,954
Total Assets		11,371,631	10,270,408
LIABILITIES			
Current Liabilities			
Trade and other payables		435,712	235,332
Provisions		33,069	39,389
Borrowings		509,187	-
Total Current Liabilities		977,968	274,721
Non-Current Liabilities			
Deferred tax payable		767,544	339,992
Loan payable		3,750,469	2,650,359
Total Non-Current Liabilities		4,518,013	2,990,351
Total Liabilities		5,495,981	3,265,072
Net Assets		5,875,650	7,005,336
EQUITY			
Issued capital	3	19,413,110	19,213,355
Reserves	4	6,443,018	4,588,014
Accumulated losses		(20,115,252)	(16,931,917)
Equity attributable to the owners of Metallum Limited		5,740,876	6,869,452
Non-controlling interest		134,774	135,884
Total Equity		5,875,650	7,005,336

The accompanying notes form part of these financial statements

METALLUM LIMITED
STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2014

Consolidated

	Issued Capital	Reserves	Accumulated Losses	Non- controllin g Interest	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2014	19,213,355	4,588,014	(16,931,917)	135,884	7,005,336
Loss for the period	-	-	(3,183,335)	8,957	(3,174,378)
Other comprehensive income	-	1,733,176	-	(10,067)	1,723,109
Total comprehensive loss for period	-	1,733,176	(3,183,335)	(1,110)	(1,451,269)
Transactions with owners					
Options Issued during the period	-	121,828	-	-	121,828
Shares issued during the period	199,755	-	-	-	199,755
Costs of capital raising	-	-	-	-	-
At 31 December 2014	19,413,110	6,443,018	(20,115,252)	134,774	5,875,650
At 1 July 2013	14,601,799	4,479,682	(13,203,249)	120,264	5,998,496
Loss for the period	-	-	(2,337,782)	(239,568)	(2,577,350)
Other comprehensive income	-	15,951	-	34,565	50,516
Total comprehensive loss for period	-	15,951	(2,337,782)	(205,003)	(2,526,834)
Transactions with owners					
Options Issued during the period	-	616,583	-	-	616,583
Shares issued during the period	3,000,000	-	-	-	3,000,000
Costs of capital raising	(353,275)	-	-	-	(353,275)
At 31 December 2013	17,248,524	5,112,216	(15,541,031)	(84,739)	6,734,970

The accompanying notes form part of these financial statements

METALLUM LIMITED
STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2014

	Consolidated 31 December 2014 \$	Consolidated 31 December 2013 \$
Cash flows from operating activities		
Sales revenue	167,090	-
Interest received	8,658	37,035
Payments to suppliers and employees	(1,527,340)	(1,111,723)
Net cash (used in) operating activities	(1,351,592)	(1,074,688)
Cash flows from investing activities		
Exploration and evaluation expensed	(168,986)	(469,186)
Exploration and evaluation costs capitalised	(343,576)	(601,142)
Payments for projects	(300,992)	-
Loan advance to related party	-	(620,483)
Net cash (used in) investing activities	(813,554)	(1,690,811)
Cash flows from financing activities		
Proceeds from borrowings	557,908	-
Proceeds from issue of securities, net of costs	-	2,764,979
Net cash provided by financing activities	557,908	2,764,979
Net (decrease) during the period	(1,607,238)	(520)
Cash at beginning of the half-year	1,714,938	1,719,095
Cash at end of the half-year	107,700	1,718,575

The accompanying notes form part of these financial statements

METALLUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year consolidated financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting. Metallum Limited and its controlled entities ("Group") is a for profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by Metallum Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

Basis of preparation

The half-year financial report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in Metallum Limited's annual financial report for the year ended 30 June 2014 and corresponding interim reporting period, except as disclosed below.

Adoption of new and revised Accounting Standards

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 new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the Group's accounting policies.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

METALLUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern Basis

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of \$3,174,378 and had net cash outflows from operating and investing activities of \$1,351,592 and \$813,554 respectively for the half-year ended 31 December 2014. As at that date, the consolidated entity had net current liabilities of \$383,590.

The Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- The Company plans to raise additional funding for working capital, which has proven to be successful in the past. As disclosed in Note 10, the Company raised \$649,480 (before costs) subsequent to 31 December 2014;
- As disclosed in Note 10, the Company obtained \$420,000 convertible loan for working capital, of which was partially repaid through the issues of shares;
- As disclosed in the statement of financial position, the consolidated entity has interest bearing liabilities of \$509,187 (partially repaid by shares as disclosed in Note 10), which are classified as current as at 31 December 2014. The Directors believe that the Company will be able to negotiate repayment terms of these loans in its favour, when they become due and payable;
- The consolidated entity forecasts it will be cash flow positive from its mine production in Chile; and
- The ability to scale down its operations in order to curtail expenditure, in the event insufficient cash is available to meet projected expenditure.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

If the consolidated entity is unable to raise further funding, generate positive cash flow from its mine production or successfully extend the repayment terms of the interest bearing liabilities, there would be material uncertainty as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

METALLUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2014

2. REVENUE

	31 December 2014 \$	31 December 2013 \$
Sales revenue	167,090	-
Interest income	8,658	37,035

3. ISSUED CAPITAL

	31 December 2014 \$	30 June 2014 \$
Issued Capital		
Ordinary shares – fully paid (net of costs)	19,413,110	19,213,355

Movement in ordinary shares on issue

	Number	\$
Balance at beginning of half-year	386,499,865	19,213,355
17 November 2014 - Shares issued for service rendered	6,483,600	77,804
18 December 2014 - Partial conversion of convertible note	13,550,111	121,951
Balance at end of period	406,533,576	19,413,110

4. RESERVES

	31 December 2014 \$	30 June 2014 \$
Options reserve		
Balance at end of the period	4,688,910	4,567,082

Movements in Options

	# of Options	\$
Balance at beginning of period	217,115,050	4,567,082
<i>Issue under Employee Incentive Option Plan</i>		
Class J options vested expense for period	-	23,588
<i>Other option issues</i>		
17 November 2017 @ \$0.0186	13,800,000	80,240
Research report fee – 30 June 2015 @ \$0.05	3,000,000	18,000
Lapsed – 1 July 2014 @ \$0.20	(41,922,230)	-
Lapsed – 15 July 2014 @ \$0.45	(500,000)	-
Lapsed – 13 November 2014 @ \$0.20	(250,000)	-
Balance at end of period	191,242,820	4,688,910

	31 December 2014 \$	30 June 2014 \$
Foreign exchange translation reserve		
Balance at beginning of period	20,932	578,232
Movement in foreign currency translation	1,733,176	(557,300)
Balance at end of period	1,754,108	20,932

METALLUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2014

5. DEFERRED EXPLORATION EXPENDITURE

Costs carried forward in respect of areas of interest in the following phases:

	31 December 2014 \$	30 June 2014 \$
Exploration and evaluation phase – at cost	<u>10,670,825</u>	<u>7,623,978</u>
Movement		
Brought forward	7,623,978	6,631,246
Expenditure capitalised	71,995	1,347,848
Acquisition of El Roble Project	871,533	160,629
Acquisition of San Sebastian mine	300,992	-
Amortisation of development costs	(208,789)	-
Foreign currency movement	2,011,116	(414,362)
Expenditure written off	-	(101,383)
Balance at end of half-year	<u>10,670,825</u>	<u>7,623,978</u>

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the relevant areas of interest, at amounts at least equal to carrying value.

6. SEGMENT INFORMATION

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. Segment liabilities include, interest bearing liabilities and trade and other payables.

METALLUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2014

6. SEGMENT INFORMATION (cont)

	Australia Corporate	Australia Exploration	Foreign Exploration	Total
	\$	\$	\$	\$
(i) Segment performance				
31 December 2014				
External revenue	-	-	167,090	167,090
Other revenue	8,658	-	-	8,658
Total segment revenue	8,658	-	167,090	175,748
Total segment expenses before depreciation and income tax	(736,312)	(46,822)	(1,987,877)	(2,771,011)
Depreciation and amortisation	(3,059)	-	(209,544)	(212,603)
Income tax expense	-	-	(366,512)	(366,512)
Total segment expenses	(739,371)	(46,822)	(2,563,933)	(3,350,126)
Segment results before tax	(730,713)	(46,822)	(2,396,843)	(3,174,378)

	Australia Corporate	Australia Exploration	Foreign Exploration	Total
	\$	\$	\$	\$
(i) Segment performance				
31 December 2013				
Other revenue	23,506	-	13,529	37,035
Total segment revenue	23,506	-	13,529	37,035
Total segment expenses before depreciation and income tax	(1,060,780)	(128,656)	(1,450,410)	(2,639,846)
Depreciation and amortisation	(2,988)	-	(755)	(3,743)
Income tax benefit	-	-	29,204	29,204
Total segment expenses	(1,063,768)	(128,656)	(1,421,961)	(2,614,385)
Segment results before tax	(1,040,262)	(128,656)	(1,408,432)	(2,577,350)

(ii) Revenue by geographical region

Revenue attributable to external customers is located in Chile.

METALLUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2014

6. SEGMENT INFORMATION (cont)

(iii) Segment assets	Australia Corporate	Australia Exploration	Foreign Exploration	Total
31 December 2014	\$	\$	\$	\$
Total segment assets	174,766	58,923	11,137,942	11,371,631
Total group assets				11,371,631
(iii) Segment liabilities				
Total segment liabilities	761,353	-	4,734,628	5,495,981
Total group liabilities				5,495,981
(iii) Segment assets	Australia Corporate	Australia Exploration	Foreign Exploration	Total
31 December 2013	\$	\$	\$	\$
Total segment assets	1,484,956	160,306	8,901,183	10,546,445
Total group assets				10,546,445
(iii) Segment liabilities				
Total segment liabilities	203,499	-	3,607,976	3,811,475
Total group liabilities				3,811,475

(iv) Assets by geographical region

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

METALLUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2014

7. LOAN PAYABLE

The loan payable represents advances from the former Parent, Cadan Resources Corporation, to Agusan Metals Corporation (formerly Philco Mining Corporation), which had been made prior to the acquisition of Agusan Metals Corporation by Metallum Limited.

At 30 June 2013, the Company re-valued the loan to an estimated fair value of \$1,963,497. The loan terms are such that the timing of its repayment is based on the Comval Project achieving commercial production. 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, the Directors have used a best estimate for Comval achieving commercial production and the subsequent future loan repayments.

At 31 December 2014, the fair value has been adjusted by \$1,100,110 to reflect the amortisation in the half-year period, being \$381,927 recognised as interest expense, \$395,033 recognised as foreign exchange loss and the remaining \$323,150 recognised in the foreign currency translation exchange reserve.

8. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

9. COMMITMENTS

There has been no change in commitments since the last annual reporting date.

10. EVENTS SUBSEQUENT TO REPORTING DATE

- On 6 January 2015, the Company issued 20,629,556 shares on part conversion (\$185,666/US\$150,000) of the first convertible security;
- On 20 January 2015, the Company issued a second convertible security for \$420,000 (US\$350,000) to be used for working capital;
- On 20 January 2015, the Company raised a further \$89,480 (before costs) for working capital;
- On 25 February 2015, the Company converted \$160,790 (US\$124,500) and issued 14,617,273 shares on full conversion of the first convertible security and part conversion of the second convertible security; and
- On 9 March 2015, the Company raised \$560,000 (before costs) for working capital via the issue of 56 million shares at an issue price of \$0.01 per share. At the same time, 3 million options (exercisable at \$0.019, expiring on or before 9 March 2019) were issued to employees pursuant to the Company's Employee Incentive Option Plan.

Other than the above, no matter or circumstance has arisen since the end of the half-year which has significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company as reported for the half-year ended 31 December 2014.

11. RELATED PARTY DISCLOSURE

During the half-year, the Group obtained a loan from Lazy 7 Pty Ltd amounting to \$250,000, a company related to Colin Johnstone. Total amount owing to Lazy 7 Pty Ltd at 31 December 2014 is \$254,167. Total interest charged to the Group during the half-year was \$4,167.

Other than the above, there has been no change in related party disclosure since the last annual reporting date.

METALLUM LIMITED

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Metallum Limited ("the Company"), the Directors of the Company declare that:

1. The financial statements and notes thereto are in accordance with the *Corporations Act 2001* including:
 - a) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and of its performance for the half-year then ended.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



Winton Willesee
Non-Executive Chairman

Perth, 16 March 2015

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
METALLUM LIMITED**

We have reviewed the accompanying half-year financial report of Metallum Limited which comprises the statement of financial position as at 31 December 2014 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Metallum Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Metallum Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Metallum Limited is not in accordance with *the Corporations Act 2001*, including:

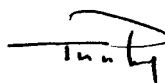
- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a loss of \$3,174,378 and had net cash outflows from operating and investing activities of \$1,351,592 and \$813,554 respectively for the half-year ended 31 December 2014. As at that date, the consolidated entity had net current liabilities of \$383,590. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Rsm Bird Cameron Partners

RSM BIRD CAMERON PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 16 March 2015