

Quarterly Activities Report December 2015

ASX ANNOUNCEMENT

29 January 2016

Perth-based mining and exploration company **Metallum Limited (ASX: MNE)** provides the following activities and cash flow report for the quarter ended 31 December 2015.

Teutonic Project

Post the end of the quarter, as released on 7 January 2016, Metallum announced that drilling to test the Mustang electromagnetic (EM) conductor (**Mustang Conductor**) at its Teutonic Project (MNE earning 70%) in the Eastern Goldfields region of Western Australia had been successfully completed and all assays received.

Two drill holes, MCPDH00001 and 00002 were completed for a total of 780.1m. Zones of massive to semi-massive, banded sulphide consisting of pyrrhotite, lesser sphalerite and minor chalcopyrite were intercepted at the modelled position of the Mustang EM conductor.

Two holes were drilled to target the modelled position of the Mustang EM conductor discovered by the Company in 2014 after regional geological targeting suggested that the Jaguar-Bentley VMS trend extended into the project area (see Figure 1).

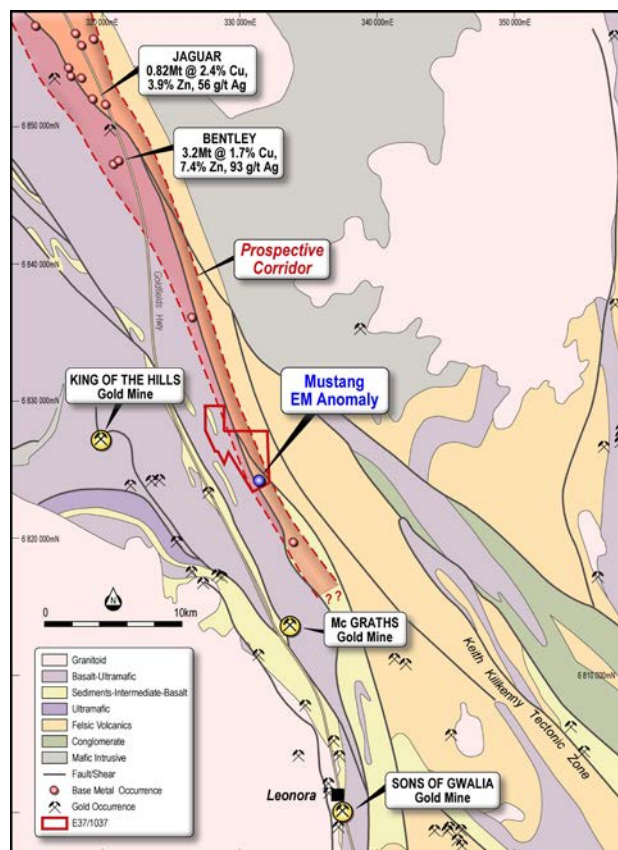


Figure 1– Regional geology and location of the Teutonic Project and Mustang Conductor showing proximity to the Jaguar and Bentley VMS deposits. Resource figures for Bentley and Jaguar sourced from Independence Group’s website.

The Company published the full results on 7 January 2016 and refers investors to that release for full details.

The Company is encouraged by the results of the first drilling programme completed at the Mustang Prospect however no decision has yet been made when further work will be undertaken at the Teutonic Project.

Chilean Assets

As announced on 15 October 2015, in light of the currently depressed copper price and medium term outlook, the Board determined that restarting operations in Chile would not be economically beneficial to the Company in either the short or medium term. Following consultation with its external advisers, the Board also determined that seeking to raise the capital required to improve the project economics, such that restarting mining operations would become viable, was unlikely to be successful in this climate. The Board therefore resolved to seek to dispose its remaining Chilean assets and to instead focus on advancing the Teutonic Project in Western Australia, reviewing the best options for its Comval assets in the Philippines and seeking other opportunities to create value for shareholders.

Corporate

Concurrent with the above determination, Managing Director, Mr Zeffron Reeves, and Non-executive Director, Mr Colin "Cobb" Johnstone, resigned from the Board during the quarter. The Company's current Company Secretary, Ms Shannon Coates, and Miss Eryn Dale were appointed to the Board as interim Non-executive Directors during the transition period.

Capital Raising

The Company accepted a proposal from its corporate adviser, Merchant Corporate Finance Pty Ltd (**Merchant**), to assist in re-capitalising the Company via a capital raising to raise up to approximately \$2 million to help meet its existing creditor obligations, advance the Teutonic project in Western Australia, review the best options for its Comval assets in the Philippines and seek other opportunities to create value for shareholders and for working capital (**Capital Raising**).

The Capital Raising is expected to be undertaken via the issue of approximately 40,000,000,000 new Metallum shares at an issue price of \$0.00005 per share. In addition, for every share issued under the Capital Raising, each investor will receive one option to acquire an additional share at an exercise price of \$0.00006 per share, with an anticipated expiry date of 31 July 2016.

Subject to the execution of an underwriting agreement, Merchant will underwrite the Capital Raising and will charge a standard underwriting fee of 5% of the funds raised and a management fee of 1% of funds raised.

Following completion of the Capital Raising, Metallum intends to proceed with a consolidation of its existing shares and options on a 400 for 1 basis.

To provide working capital in the interim, the Company accepted a convertible loan of up to \$400,000 from nominees of Merchant. The loan may be secured against Metallum and its assets (other than its Chilean assets) and, subject to shareholder approval, convertible to Metallum shares on the date of the shareholders meeting to seek approval for the Company's above mentioned proposed re-capitalisation

activities, including disposal of the Chilean assets and the Capital Raising, at a conversion price equal to the issue price under the Capital Raising inclusive of any attaching options. An interest rate of 20% per annum will be applied to any loan funds drawn down which will be paid in shares on the same terms subject to shareholder approval. In addition, Merchant will charge a fee of 6% of the funds loaned.

In the event shareholder approval is obtained for the proposed re-capitalisation activities, the entire convertible loan and interest will convert into ordinary shares in the capital of Metallum at an issue price of \$0.00005 per share (pre-consolidation) plus attaching options on the same Terms as the proposed Capital Raising.

Completion of the Proposal (including the conversion of the convertible loan to shares) will be conditional upon, amongst other matters common to loans of this nature, (i) shareholder approval being obtained for the divestment, and completion of the divestment, of Atacama Holdings Pty Ltd (the owner of the Chilean assets) to either an entity associated with the Chairman, Mr Willesee, and former directors Messrs Reeves and Johnstone, or any other party, and (ii) shareholder approval being obtained for the conversion and for the proposed Capital Raising.

A Notice of Meeting for the shareholders meeting to consider the proposed re-capitalisation activities will be dispatched shortly to convene a meeting on or around 26 February 2016.

For further information please contact:

Winton Willesee
Chairman
Metallum Ltd
P: + 61 8 9322 6424

About Metallum Limited

Metallum Limited (ASX: MNE) is an Australian-based company that acquires and develops copper and gold projects around the world. The Company currently has interests in the El Roble region in Chile (being divested), as well as the Comval Copper Project in the Philippines, and its Australian-based project, Teutonic Project.

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 a consultant 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.

Tenement Schedule

Tenement	Name	Location	Size (ha)	Grant Date	Expiry Date	% Ownership
E37/1037	Teutonic	Western Australia	1,613	23/07/2010	22/07/2015	70%
EP-000001-00-XI	Comval	Mindanao, Philippines	2,171	30/01/2009	30/01/2011 ¹	80%
EP -000002-09-XI	Comval	Mindanao, Philippines	2,139	04/01/2012	04/01/2014	80%
San Sebastian	El Roble	Region III, Chile	50	n/a	n/a	100%
Panga Mine	El Roble	Region III, Chile	11	n/a	n/a	n/a ²
Paraguay Mine	El Roble	Region III, Chile	5	n/a	n/a	n/a ²
Total			5,989 ha			

Notes:

1. EP-000001-00-XI expired on the 30/01/2011. The Company's Philippines subsidiary has applied to the Philippines Mines and Geosciences Bureau for a 2 year renewal.
2. As announced on 4 December 2013, the Company has signed a production lease agreement over four concessions (Bolivia, Uruguay, Ecuador and Argentina) which comprise the Panga Mine. As further announced on 28 May 2014, the Company has signed a production lease agreement over an additional concession comprising the Paraguay Mine. These concessions are 100% owned by Sociedad Minera Panga De El Roble, an unrelated party.

San Sebastian mining concessions to exploit

N°	Name	Owner
1.	San Sebastian 1/16 (2/16)	Minera Panga SpA
2.	San Sebastian 1/16 (1)	Minera Panga SpA

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

METALLUM LIMITED

ABN

73 149 230 811

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	54	199
1.2	Payments for (a) exploration & evaluation	(42)	(68)
	(b) development	-	-
	(c) production	(161)	(497)
	(d) administration	(122)	(329)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (Exploration Incentive Scheme)	47	47
Net Operating Cash Flows		(224)	(648)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		-	-
1.13	Total operating and investing cash flows (carried forward)	(224)	(648)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(224)	(648)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	533
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	286	366
1.17	Repayment of borrowings	-	(221)
1.18	Dividends paid	-	-
1.19	Share issues not yet allotted	-	-
1.20	Other – share issue costs	-	(27)
	Net financing cash flows	286	651
	Net increase (decrease) in cash held	62	3
1.20	Cash at beginning of quarter/year to date	122	181
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	184	184

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	23
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments made to a director related entity for company secretarial services and for sub-lease of office premises.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	400	366
3.2 Credit standby arrangements	-	-

NB: Convertible loan convertible to ordinary shares subject to shareholder approval. See ASX Release dated 15 October 2015 for further details.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	209
4.2 Development	-
4.3 Production	-
4.4 Administration	198
Total	407

* Expected to be funded from proceeds of proposed capital raising of up to \$2 million, as announced to ASX on 15 October 2015 and excludes costs of that offer.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	179	102
5.2 Deposits at call	5	20
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	184	122

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference + securities (description)	-	-	-
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-
	8,700,000 Production Performance Rights 8,700,000 Cashflow Performance Rights			
7.3	+Ordinary securities	851,199,739	851,199,739	-
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			

+ See chapter 19 for defined terms.

Appendix 5B

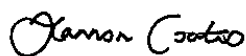
Mining exploration entity and oil and gas exploration entity quarterly report

7.5	*Convertible debt securities (description)			-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7	Options (description and conversion factor)	14,000,000 8,000,000 10,000,000 1,000,000 13,800,000 3,000,000 15,000,000 88,888,889 8,700,000	- - - - - - - - -	Exercise price \$0.05 \$0.034 \$0.037 \$0.05 \$0.0186 \$0.019 \$0.015 \$0.015 \$0.0073	Expiry date 30/06/2016 17/10/2016 17/10/2017 30/11/2016 17/11/2017 09/03/2019 15/07/2017 30/06/2017 16/07/2018
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	300,000	-	\$0.25	13/11/2015
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-	-		

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

¶ 2 This statement does /does not* (delete one) give a true and fair view of the matters disclosed.



Sign here:
(Director/Company secretary)

Date: 29 January 2016

Print name:
SHANNON COATES

+ See chapter 19 for defined terms.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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