



METALLUM LIMITED

ABN 73 149 230 811

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2015

METALLUM LIMITED

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METALLUM LIMITED

CORPORATE DIRECTORY

DIRECTORS

Winton Willesee - Non-Executive Chairman
Shannon Coates - Non-Executive Director
Erlyn Dale - Non-Executive Director

COMPANY SECRETARY

Shannon Coates

REGISTERED AND PRINCIPAL OFFICE

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WEST PERTH WA 6005

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SHARE REGISTRY

Automatic Registry Services
Suite 1a, Level 1
7 Ventnor Avenue
WEST PERTH WA 6005

AUDITORS

RSM Australia Partners
8 St Georges Terrace
PERTH WA 6000

SOLICITORS

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

AUSTRALIAN SECURITIES EXCHANGE

Australian Securities Exchange
Exchange Plaza
2 The Esplanade
PERTH WA 6000

(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 2015.

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
Shannon Coates - Non-Executive Director (*appointed 14 October 2015*)
Erlyn Dale - Non-Executive Director (*appointed 14 October 2015*)
Zeffron Reeves - Managing Director (*resigned 14 October 2015*)
Colin Johnstone - Non-Executive Director (*resigned 14 October 2015*)

RESULTS

The net loss for the half-year attributable to members of the consolidated entity was \$1,227,622 (2014: \$3,183,335).

REVIEW OF OPERATIONS

Metallum Limited (ASX: MNE) is an Australian-based company that acquires and develops resource and other projects around the world.

As at the date of this report, the Company holds interests in its Comval Copper Project in the Philippines, and in its Australian project, Teutonic, which is prospective for gold and base metals.

Australia

Post the end of the quarter, as released on 7 January 2016, Metallum announced that drilling to test the Mustang electromagnetic 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.

The 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 may extend into the project area. 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 drilling program completed at the Mustang Prospect however no decision has yet been made as to the nature and timing of the next phase of work to be undertaken at the Teutonic Project.

Philippines

The Company continues to hold the Comval project on care and maintenance.

METALLUM LIMITED

DIRECTORS' REPORT

Corporate

In September 2015, as a consequence of the falling copper price, the Company was forced to suspend its operations in Chile and put its Chilean assets onto care and maintenance. With consideration given to the outstanding liabilities and constraints on access to capital, the Company was compelled to investigate the sale of the associated assets in light of the costs that continued to accrue.

The Company's Directors at the time agreed to quarantine the Company from existing and future liabilities by underwriting a possible sale of the Chilean assets, and the assets were offered for sale. The Company did not receive any formal offers during the process and in February 2016 shareholder approved the sale to an entity associated with the Directors in office at the time of the underwriting.

Concurrent with the determination to cease operations in Chile, Managing Director, Mr Zeffron Reeves, and Non-Executive Director, Mr Colin "Cobb" Johnstone, resigned from the Board. The Company's current Company Secretary, Ms Shannon Coates, and Miss Erlyn Dale were appointed to the Board as Non-Executive Directors.

EVENTS SUBSEQUENT TO REPORTING DATE

On 7 January 2016, the Company 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 has been successfully completed.

On 9 February 2016, the Company issued a Prospectus for an offer (**Offer**) for investors, with priority to existing shareholders, to raise \$2 million (before costs) by the issue of 40 billion Shares (**Offer Shares**) at an issue price of \$0.00005 per Offer Share and 40 billion free attaching Options (**Offer Options**), exercisable at \$0.00006 on or before 31 July 2016, on a one for one basis (together the **Offer Securities**). The Offer was fully underwritten by Merchant Corporate Finance Pty Ltd.

At a general meeting of shareholders on 26 February 2016, the Company's shareholders approved a number of resolutions, including:

- a. the fully underwritten capital raising to raise \$2 million (before costs) 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;
- b. the conversion of a series of liabilities into equity;
- c. the sale of the Company's Chilean assets (and associated liabilities) to a company controlled by the Company's Chairman Winton Willesee, and former Directors Zeffron Reeves and Colin Johnstone (**Related Parties**); and
- d. a consolidation of the Company's share capital on a 400 to 1 basis.

The sale of the Company's Chilean assets (and associated liabilities) to the Related Parties was completed on 26 February 2016.

On 4 March 2016, the Company's securities were registered on a post consolidation basis, with normal trading commencing on 11 March 2016.

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 Consolidated Entity, the results of the Consolidated Entity, or the state of affairs of the Consolidated Entity as reported for the half-year ended 31 December 2015.

METALLUM LIMITED

DIRECTORS' REPORT

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 2015 is included within this financial report.

Signed in accordance with a resolution of the Directors.



Winton Willesee
Non-Executive Chairman
Perth, 15 March 2016

RSM Australia Partners

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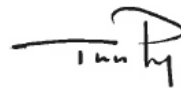
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Metallum Limited for the half-year ended 31 December 2015, 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 AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 15 March 2016

METALLUM LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2015

	Note	Consolidated 31 December 2015 \$	Consolidated 31 December 2014 \$
Revenue	2	184,917	167,090
Cost of sales		<u>(580,038)</u>	<u>(723,201)</u>
Gross loss		(395,121)	(556,111)
Interest income	2	220	8,658
Other income	2	98,761	-
Other financial fees		(33,085)	(167,121)
Consultant and legal fees		(89,721)	(147,882)
Employee benefits expense		(233,859)	(370,854)
Administrative expenses		(39,816)	(54,931)
Corporate and compliance fees		(117,864)	(99,021)
Depreciation and amortisation		(2,354)	(212,603)
Exploration and evaluation expenditure		(238,221)	(168,986)
Equity based payments		(23,954)	(23,588)
Unrealized gain / (loss) on foreign exchange		(12,876)	(464,795)
Interest expense of loan		-	(381,927)
Impairment of projects		(103,003)	-
Other expenses		<u>(67,605)</u>	<u>(168,705)</u>
Loss before income tax expense		(1,265,998)	(2,807,866)
Income tax (expense)		<u>-</u>	<u>(366,512)</u>
Net loss for the period		(1,265,998)	(3,174,378)
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		18,587	1,723,109
		<u>18,587</u>	<u>1,723,109</u>
Total comprehensive loss for the period (net of tax)		<u>(1,247,411)</u>	<u>(1,451,269)</u>
Loss attributable to:			
Members of Metallum Limited		(1,227,622)	(3,183,335)
Non-controlling interest		<u>(38,376)</u>	<u>8,957</u>
		(1,265,998)	(3,174,378)
Total comprehensive loss attributable to:			
Members of Metallum Limited		(1,211,978)	(1,450,159)
Non-controlling interest		<u>(35,433)</u>	<u>(1,110)</u>
		(1,247,411)	(1,451,269)
Loss per share			
Basic and diluted (loss) per share (cents per share)		(0.16)	(0.82)

The accompanying notes form part of these financial statements

METALLUM LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Note	Consolidated 31 December 2015 \$	Consolidated 30 June 2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents		184,426	181,481
Other receivables		57,137	32,912
Total Current Assets		241,563	214,393
Non-Current Assets			
Property, plant and equipment		4,743	7,097
Exploration and evaluation expenditure	5	58,923	158,923
Total Non-Current Assets		63,666	166,020
Total Assets		305,229	380,413
LIABILITIES			
Current Liabilities			
Trade and other payables		1,024,681	551,911
Provisions		16,052	55,579
Borrowings	7	398,445	459,263
Total Liabilities		1,439,178	1,066,753
Net Liabilities		(1,133,949)	(686,340)
EQUITY			
Issued capital	3	22,224,697	21,549,115
Reserves	4	6,065,065	5,925,201
Accumulated losses		(27,859,048)	(26,631,426)
Equity attributable to the owners of Metallum Limited		430,714	842,890
Non-controlling interest		(1,564,663)	(1,529,230)
Total Deficiency in Equity		(1,133,949)	(686,340)

The accompanying notes form part of these financial statements

METALLUM LIMITED
STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2015

Consolidated	Issued Capital	Reserves	Accumulated Losses	Non- controlling Interest	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2015	21,549,115	5,925,201	(26,631,426)	(1,529,230)	(686,340)
Loss for the period	-	-	(1,227,622)	(38,376)	(1,265,998)
Other comprehensive income	-	15,644	-	2,943	18,587
Total comprehensive loss for period	-	15,644	(1,227,622)	(35,433)	(1,247,411)
Transactions with owners					
Options Issued during the period	-	124,220	-	-	124,220
Shares issued during the period	813,152	-	-	-	813,152
Costs of capital raising	(137,570)	-	-	-	(137,570)
At 31 December 2015	22,224,697	6,065,065	(27,859,048)	(1,564,663)	(1,133,949)
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

The accompanying notes form part of these financial statements

METALLUM LIMITED
STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2015

	Consolidated 31 December 2015 \$	Consolidated 31 December 2014 \$
Cash flows from operating activities		
Sales revenue	199,381	167,090
Other income received	98,981	8,658
Payments to suppliers and employees	(843,177)	(1,527,340)
Net cash (used in) operating activities	(544,815)	(1,351,592)
Cash flows from investing activities		
Exploration and evaluation expensed	(122,587)	(168,986)
Exploration and evaluation costs capitalised	-	(343,576)
Payments for projects	-	(300,992)
Net cash (used in) investing activities	(122,587)	(813,554)
Cash flows from financing activities		
Repayment of borrowings	(301,191)	-
Proceeds from borrowings	465,500	557,908
Proceeds from issue of securities, net of costs	506,038	-
Net cash provided by financing activities	670,347	557,908
Net increase/(decrease) during the period	2,945	(1,607,238)
Cash at beginning of the half-year	181,481	1,714,938
Cash at end of the half-year	184,426	107,700

The accompanying notes form part of these financial statements

METALLUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2015

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 ("consolidated entity") 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 consolidated entity 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 2015 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 2015 and corresponding interim reporting period, except as disclosed below.

Adoption of new and revised Accounting Standards

The consolidated entity 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 consolidated entity'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 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 \$1,265,998 and had net cash outflows from operating and investing activities of \$544,815 and \$122,587, respectively, for the half-year ended 31 December 2015. As at that date, the consolidated entity had net current liabilities and net liabilities of \$1,197,615 and \$1,133,949, respectively. The ability of the consolidated entity to continue as a going concern is dependent on a combination of a number of factors, the most significant of which is the ability of the Company to raise additional funds in the following 12 months through issuing additional shares.

These factors indicate significant uncertainty as to whether the consolidated entity will continue as a going concern and therefore whether they will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Notwithstanding the above, 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 has acted to reduce its working capital requirements following its decision to put the Chilean operations on care and maintenance and subsequently sell those assets (and by so doing remove a significant portion of the liabilities of the Company) and to that end has reduced its staffing numbers and reduced or removed a number of its other activities that require cash expenditure;
- The Company is reviewing its assets in order to identify the best means of maximising those assets for shareholders including possible divestment of any of those assets;
- As disclosed in Note 10, the Company plans to raise additional funding for working capital, which has proven to be successful in the past;
- As disclosed in the statement of financial position, the consolidated entity has interest bearing liabilities of \$307,123 which are classified as current as at 31 December 2015. These interest bearing liabilities will be repaid through the issue of shares as approved at the Company's general meeting held on 26 February 2016; and
- The ability to further 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.

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 2015

2. REVENUE

	31 December 2015 \$	31 December 2014 \$
Sales revenue	184,917	167,090
Interest income	220	8,658
Gain on recoverability of assets	50,998	-
Other income	47,763	-
	<u>47,763</u>	<u>-</u>

3. ISSUED CAPITAL

	31 December 2015 \$	30 June 2015 \$
Issued Capital		
Ordinary shares – fully paid (net of costs)	22,224,697	21,549,115

Movement in ordinary shares on issue

	Number	\$
Balance at beginning of half-year	715,674,298	21,549,115
29 July 2015 – Loan conversion	41,666,667	250,000
29 July 2015 – Shares issued in lieu for service rendered	5,000,000	30,000
29 July 2015 – Placement – tranche 2	88,858,774	533,152
Related costs	-	(137,570)
Balance at end of period	851,199,739	22,224,697

4. RESERVES

	31 December 2015 \$	30 June 2015 \$
Options reserve		
Balance at end of the period	4,910,450	4,786,154

Movements in Options

	# of Options	\$
Balance at beginning of period	68,850,000	4,786,154
<i>Issue under Employee Incentive Option Plan</i>		
Class U options – 16 July 2018 @ \$0.0037	8,700,000	23,954
<i>Other option issues</i>		
30 June 2017 @ \$0.015 – in lieu of services rendered	75,000,000	100,266
Loan conversion – free attaching – 30 June 2017 @ \$0.015	13,888,889	-
Lapsed – 1 July 2015 @ \$0.20	(3,750,000)	-
Lapsed – 13 November 2015 @ \$0.25	(300,000)	-
Balance at end of period	162,388,889	4,910,374

METALLUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2015

4. RESERVES (CONTINUED)

	31 December 2015 \$	30 June 2015 \$
Foreign exchange translation reserve		
Balance at beginning of period	1,139,047	20,932
Movement in foreign currency translation	15,644	1,118,115
Balance at end of period	<u>1,154,691</u>	<u>1,139,047</u>

5. DEFERRED EXPLORATION EXPENDITURE

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

	31 December 2015 \$	30 June 2015 \$
Exploration and evaluation phase – at cost	<u>58,923</u>	<u>158,923</u>
Movement		
Brought forward	158,923	7,623,978
Exploration expenditure capitalised	-	594,443
Acquisition of projects payments	-	904,914
Foreign currency movement on exploration expenditure	3,003	1,100,222
Cadan loan-offset	-	(3,535,605)
Impairment of exploration expenditure capitalised	<u>(103,003)</u>	<u>(6,529,029)</u>
Balance at reporting date	<u>58,923</u>	<u>158,923</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 consolidated entity 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 consolidated entity 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 consolidated entity.

METALLUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2015

6. SEGMENT INFORMATION (CONTINUED)

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.

	Australia Corporate	Australia Exploration	Foreign Exploration	Total
	\$	\$	\$	\$
(i) Segment performance				
31 December 2015				
External revenue	-	-	184,917	184,917
Other revenue	47,983	-	50,998	98,981
Total segment revenue	47,983	-	235,915	283,898
Total segment expenses before depreciation and income tax	(542,278)	(206,508)	(798,756)	(1,547,542)
Depreciation and amortisation	(2,354)	-	-	(2,354)
Total segment expenses	(544,632)	(206,508)	(798,756)	(1,549,896)
Segment results before tax	(496,649)	(206,508)	(562,841)	(1,265,998)

METALLUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2015

6. SEGMENT INFORMATION (CONTINUED)

	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)

(ii) Revenue by geographical region

Revenue attributable to external customers is located in Chile.

(iii) Segment assets	Australia Corporate	Australia Exploration	Foreign Exploration	Total
	\$	\$	\$	\$
31 December 2015				
Total segment assets	195,343	58,923	50,963	305,229
Total group assets				305,229
(iii) Segment liabilities				
Total segment liabilities	733,272	196,067	509,839	1,439,178
Total group liabilities				1,439,178

METALLUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2015

6. SEGMENT INFORMATION (CONTINUED)

(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

(iv) Assets by geographical region

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

7. BORROWINGS

	31 December 2015	30 June 2015
	\$	\$
Loan with related party ¹	5,822	250,000
Convertible note ²	-	209,263
Convertible note ³	307,123	-
Loan advanced ⁴	85,500	-
Balance at end of period	398,445	459,263

1. On 29 July 2015, the Company repaid the convertible loan from Lazy 7 Pty Ltd via the issue of 41,666,667 shares with a deemed value of \$0.006 per share and 13,888,889 free attaching options expiring 30 June 2017 @ \$0.015.

2. On 6 August 2015, the Company fully repaid the convertible loan from Bergen Asset Management.

3. On 2 September 2015, the Company entered into a Loan Agreement with Merchant Corporate for \$80,000. The principal balance and interest of \$80,000 and \$20,000, respectively, was repaid on 18 December 2015.

4. On 14 October 2015, the Company entered into a Convertible Loan Agreement (Convertible Loan) with Merchant Corporate, as trustee for various lenders, for up to \$400,000. The Convertible Loan was secured against the Company and its assets (including the Chilean Assets) and, following the receipt of Shareholder approval which was obtained 26 February 2016, will shortly be converted to shares and options (Conversion Securities) in the Company.

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

7. BORROWINGS (CONTINUED)

An interest rate of 20% per annum is applied to any funds able to be drawn down pursuant to the Convertible Loan, which will be settled in Shares and Options on the same terms as the Conversion Securities. The Company intends to issue these additional securities from its 15% annual placement capacity. Merchant Corporate will also charge a fee of 6% on the amount of the funds available to be drawn down pursuant to the Convertible Loan, to be paid in cash.

5. On 2 October 2015, the Company obtain an unsecured loan with interest of 12% p.a.

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 7 January 2016, the Company 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 has been successfully completed.

On 9 February 2016, the Company issued a Prospectus for an offer (**Offer**) for investors, with priority to existing shareholders, to raise \$2 million (before costs) by the issue of 40 billion Shares (**Offer Shares**) at an issue price of \$0.00005 per Offer Share and 40 billion free attaching Options (**Offer Options**), exercisable at \$0.00006 on or before 31 July 2016, on a one for one basis (together the **Offer Securities**). The Offer was fully underwritten by Merchant Corporate Finance Pty Ltd.

At a general meeting of shareholders on 26 February 2016, the Company's shareholders approved a number of resolutions, including:

- a. the fully underwritten capital raising to raise \$2 million (before costs) 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;
- b. the conversation of a series of liabilities into equity;
- c. the sale of the Company's Chilean assets (and associated liabilities) to a company controlled by the Company's Chairman Winton Willesee, and former Directors Zeffron Reeves and Colin Johnstone (**Related Parties**); and
- d. a consolidation of the Company's share capital on a 400 to 1 basis.

The sale of the Company's Chilean assets (and associated liabilities) to the Related Parties was completed on 26 February 2016.

On 4 March 2016, the Company's securities were registered on a post consolidation basis, with normal trading commencing on 11 March 2016.

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 consolidated entity, the results of the consolidated entity, or the state of affairs of the consolidated entity as reported for the half-year ended 31 December 2015.

METALLUM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2015

11. RELATED PARTY DISCLOSURE

On 29 July 2015, the Group repaid the convertible loan from Lazy 7 Pty Ltd via the issue of 41,666,667 shares with a deemed value of \$0.006 per share and 13,888,889 free attaching options expiring 30 June 2017 @ \$0.015.

On or around 15 October 2015, the former Board of the Company (being current Chairman Winton Willesee, and former directors Zeffron Reeves and Cobb Johnstone) conditionally agreed to acquire Metallum's Australian subsidiary, Atacama Holdings Pty Ltd, which holds a 100% interest in all the Chilean entities, for a nominal consideration, to effectively take assignment of those liabilities.

The abovementioned acquisition was conditional on there being no superior bids received for the Chilean assets from other parties and was also conditional on shareholder approval.

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 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 2015 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, 15 March 2016

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**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 2015, and the statement of comprehensive income, statement of changes in equity and 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 2015 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.

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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:

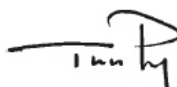
- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1 to the financial statements, which indicates that the consolidated entity incurred a loss of \$1,265,998 and had net cash outflows from operating and investing activities of \$544,815 and \$122,587, respectively, during the half-year ended 31 December 2015. As at that date, the consolidated entity had net current liabilities and net liabilities of \$1,197,615 and \$1,133,949, respectively. These financial 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 AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 15 March 2016