

Metallica Minerals Limited

ACN 076 696 092

Annual Financial Report - 30 June 2014

Metallica Minerals Limited
Corporate directory
30 June 2014

Directors	D K Barwick - Non-executive Chairman A L Gillies - Managing Director B J Casson - Non-executive Director Wu Shu - Non-executive Director S Zhang - Alternate Director for Wu Shu
Company secretary and CFO	J K Haley
Notice of annual general meeting	The details of the annual general meeting of Metallica Minerals Limited are: Brisbane Polo Club Naldham House 1 Eagle Street Brisbane QLD 4000 4.00pm on Thursday 20 November 2014
Registered office	71 Lytton Road East Brisbane QLD 4169
Principal place of business	71 Lytton Road East Brisbane QLD 4169
Share register	Link Market Services Limited Level 19, 324 Queen Street Brisbane QLD 4001
Auditor	BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000
Solicitors	HopgoodGanim Level 8, Waterfront Place, 1 Eagle Street Brisbane QLD 4001
Stock exchange listing	Metallica Minerals Limited shares are listed on the Australian Securities Exchange (ASX code: MLM)
Website	www.metallicaminerals.com.au

Metallica Minerals Limited
Directors' report
30 June 2014

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Metallica Minerals Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2014.

Directors

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

David K Barwick
Andrew L Gillies
Wu Shu
Barry J Casson
Tao Li (alternate to Wu Shu) (retired 21 August 2014)
Shu Zhang (alternate to Wu Shu) (appointed 21 August 2014)
John K Haley (retired 26 November 2013)

Principal activities

During the financial year the principal activities of the consolidated entity consisted of mineral exploration, evaluation and progressing studies into the feasibility of development of its zircon-rutile heavy mineral sands (Urquhart Point) and scandium-cobalt-nickel (SCONI) projects. There were no significant changes in the principal activities of the consolidated entity.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$15,333,124 (30 June 2013: \$22,116,670).

The 30 June 2014 consolidated loss includes the following:

- a) Impairment of financial assets of \$924,771 (2013: \$11,998,801). The impairment of the investment in Cape Alumina Limited contributed \$917,224 (2013: \$652,146) of the total impairment loss. For the year ended 30 June 2013 the impairment/revaluation of the carrying value of the consolidated entity's investment in its associate MetroCoal Limited, contributed \$11,346,655 of the total impairment loss for that year. The impairment of financial assets includes the impairment/revaluation of the carrying values of investments in associates after equity accounting (where those balances are in excess of market value) or available-for-sale investments to their market value at either the reporting date or the date of their disposal.
- b) Share of losses of associates of \$3,214,699 (2013: \$226,258). The investment in MetroCoal Limited was reduced to nil as at 30 June 2014 as a result of equity accounting the company's share of the losses incurred by MetroCoal Limited in the period ended 30 June 2014.
- c) A net loss of \$696,151 on sale of the consolidated entity's entire investment in Cape Alumina Limited. The investment in Cape Alumina Limited was impaired in the period ended 31 December 2013. In the period from 1 January 2014 to 30 June 2014, the investment in Cape Alumina Limited was sold resulting in a loss on sale.
- d) Impairment of the SCONI exploration and evaluation assets of \$10,980,269 (2013: \$17,779,770). In keeping with their obligations to review non-current asset carrying values, a review has been undertaken of the SCONI Project as at 30 June 2014. This review took to account a number of relevant attributes including what if any activities are planned for the immediate future and budgets associated with any such activities. Given limited funds currently available and other more immediate development priorities, directors acknowledge there are no major activities planned in the near term, due to budget constraints across the company.

Directors have also taken to account the current and outlook for the commodities involved, namely nickel, cobalt and scandium. These main commodities of nickel and cobalt remain generally low; the emerging markets for scandium have not developed to the extent anticipated previously. As a result there are insufficient encouragement to justify any of the varied development plans the company has reviewed in recent times. This also severely restricts the company's ability in attracting feasibility study or development funding.

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Notwithstanding these considerations directors have more recently been encouraged by expressed interest in the possibility of forming a joint venture, to provide funding to continue SCONI Project optimisation opportunities, and continue with the advanced environmental status of the project.

As a result of these considerations and discussion, directors have formed a view as to the appropriate carrying value, resulting in a provision for impairment.

In accordance with Accounting Standards, the Directors will continue to monitor the appropriate carrying value of all the Company's Projects, including its Mineral Sands and Limestone Projects which have not been impaired at 30 June 2014, and are held at their carrying values of \$4.7 million and \$0.85 million respectively at 30 June 2014.

During the current period the consolidated entity:

a) Was awarded an Environmental Authority from the Queensland Department of Environment and Heritage Protection for its Mining Lease Application over the Urquhart Point zircon-rutile heavy minerals sands project.

b) Was granted a Mining Lease over the Urquhart Point zircon-rutile heavy mineral sands project. The mining lease covers an area of 366 hectares and has been granted for a 10 year term.

c) Announced an increase in the Indicated Resource tonnage for its Urquhart Point zircon-rutile heavy mineral sands project of approximately 19% to 3.22 million tonnes (Mt).

d) Received \$3,056,636 as a tax refund under the Federal Government's Research and Development ("R&D") Tax Incentive program, for expenditure in relation to the development of the SCONI scandium-cobalt-nickel project in North Queensland.

e) Discovered potentially substantial zircon-rich heavy mineral sand (HMS) mineralisation on the western side of the far north area of Queensland's Cape York Peninsula.

f) Implemented significant cost reduction strategies to conserve the consolidated entity's cash position. These strategies included a review of all costs, in particular salaries, fees and contracting rates, with a reduction in staff in the form of transfers from salary to contracting on an as required basis; and reduced project and administrative costs.

Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the consolidated entity to maintain continuity of normal business activities, to pay its debts as and when they fall due and to recover the carrying value of exploration and evaluation expenditure, is dependent on the ability of the consolidated entity to successfully raise additional capital and/or successful exploration and subsequent exploitation of areas of interest through sale or development.

In common with many exploration companies, the company raises finance for its exploration and appraisal activities in discrete tranches. The company has raised finance as follows:

(a) In June 2013 the company raised \$2,125,000 (before costs) through a renounceable rights issue to fund the SCONI project, Mineral Sands and Limestone projects and fund its working capital requirements for the foreseeable future.

(b) On 1 August 2014 the company received a \$500,000 deposit in accordance with a joint venture agreement with a private Chinese investor who is to provide a total of \$7.5 million to develop the company's Urquhart Project. On 8 September 2014 the company announced it had received A\$2.7 million into the joint venture bank account in terms of the joint venture agreement.

(c) On 18 August 2014 the company announced that it had successfully completed a book build to raise \$500,000 for working capital.

The company also expects to receive a research and development tax incentive of \$579,280 during the 2015 financial year. Additionally, the Directors have taken steps to significantly reduce project, corporate and administration expenditure to preserve cash and maintain the consolidated entity's core project assets - SCONI and Weipa.

The company's auditor has, without qualifying their audit opinion, included an 'emphasis of matter' paragraph in their audit report which draws attention to the aforementioned uncertainty regarding going concern.

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Capital expenditure

During 2014, \$2,835,880 was incurred on capitalised exploration, development and project study expenditure (2013: \$9,792,713). The majority of the expenditure incurred was on the Urquhart Point exploration and development assets.

Cash flow and Liquidity

During 2014 the group had net cash inflows from operating activities of \$873,640 (2013: net cash outflows of \$2,440,330). In the current financial year, the group received a research and development tax incentive of \$3,056,636 which offset the net outflows on operating activities which were mainly payments to suppliers and employees of \$2,644,772.

For the year ended 30 June 2014 net cash outflows from investing activities amounted to \$2,182,926 (2013: cash inflows of \$691,336). In the current financial year cash outflows for exploration and evaluation assets of \$2,835,880 was partially offset by cash inflows of \$485,251 from term deposits and the proceeds from sale of the group's investment in Cape Alumina Limited of \$183,796.

There were no cash flows from financing activities during the financial year ended 30 June 2014.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

On 11 July 2014 the company announced the commencement of a detailed review of its extensive Cape York tenement portfolio with a view to ascertaining, in addition to its highly prospective Heavy Mineral Sands (HMS) project, the portfolio's potential to host significant bauxite deposits. Metallica, through its 100%-owned subsidiary, Oresome Australia Pty Ltd (Oresome), holds 100% of the Cape York Heavy Mineral Sands (HMS) and Bauxite Project. The review has successfully identified 15 priority highly prospective bauxite zones within Oresome's tenement package near Urquhart and Vrilya Points. The combined areas have an estimated Exploration Target potential of 47 to 138 million tonnes Bauxite. The potential quantity and grade of the bauxite deposits are conceptual in nature. There is insufficient information at this time to define a mineral resource and there is no certainty that further exploration will result in the determination of a mineral resource in these areas.

On 18 August 2014 the company announced that it had successfully completed a book build to raise A\$500,000 for working capital. The placement comprised issuing 6.25 million ordinary shares at 8 cents per share, raising \$500,000 (before costs).

On 1 August 2014 the company announced it had executed a joint venture (JV) agreement with a private Chinese investor. The JV is between Oresome Australia Pty Ltd (a wholly owned subsidiary of Metallica) and Ozore Resources Pty Ltd (Ozore) (wholly owned by the Chinese investor). Under the JV agreement, Ozore will provide a total of A\$7.5 million to develop the company's Urquhart Point Project, and explore for other Heavy Mineral Sands and Bauxite deposits on its tenements on the western side of Queensland's Cape York Peninsula. Funds to be provided under the JV agreement will fully finance the construction and commissioning by mid next year of Metallica's proposed Urquhart Point Mineral Sands Mine near Weipa - based on the A\$6.5 million CAPEX and working capital requirements for the proposed mine outlined in the Project Feasibility Study (ASX release dated 24 June 2014). On 27 August 2014 the company announced that Foreign Investment Review Board (FIRB) approval had been received for the joint venture. The FIRB approval was the final condition precedent to the JV agreement. The joint venture received a A\$500,000 deposit on 1 August 2014 and A\$2.7 million on 8 September 2014. The next instalment of funds of A\$1.8 million is now to be received on or before 30 September 2014, at which point the Chinese investor will hold a 33.33% interest. The balance of A\$2.5 million will be paid when called by the joint venture manager at a time when the project's development progresses further toward production, and at that point the JV would be a 50/50 joint venture.

On 15 September 2014 the company announced that it had entered into a royalty agreement with a privately owned company to allow the mining and extraction of nickel ore from the company's Dingo Dam Mining Lease in Queensland. The lease is part of the company's non-core Lucky Break Nickel Project.

On 29 September 2014 the company announced that it had disposed of its entire shareholding in MetroCoal Limited for proceeds of approximately \$2.06 million.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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Likely developments and expected results of operations

Since the end of the 30 June 2014 financial year, the company has made significant progress in relation to funding (refer to matters subsequent to the end of the financial year above), and with its Joint Venture (JV) partner, plans to initiate development of the Urquhart Point Minerals Sands Project in September 2014 with a targeted production date of mid 2015. In addition the company plans to actively explore the company's extensive Mineral Sands Projects tenements commencing in September 2014 subject to funds being received from the JV on Urquhart Point Project. The company has retained all its Mining Leases including those related to the SCONI nickel/cobalt/scandium project. The company will continue to rigorously review and control costs.

The consolidated entity's goal is to become a major, long-term and reliable supplier of scandium, cobalt, nickel and mineral sands.

Environmental regulation

The consolidated entity is subject to environmental regulations under laws of Queensland where it holds mineral exploration and mining tenements. During the financial year the consolidated entity's activities recorded no non-compliance issues.

Information on directors

Name:	David K Barwick
Title:	Non-executive Chairman
Age:	70
Qualifications:	N/A
Experience and expertise:	In his capacity as Chairman, Managing Director and or President, Mr Barwick has played a significant role in successfully funding and bringing into production, four mining projects throughout his career in both Australia and Canada and has been Chairman of more than 30 public listed companies. He has considerable expertise in the restructure and financing of entities. An accountant by profession, Mr Barwick has over 40 years experience in the management and administration of publicly listed companies in both Australia and North America. As a director, he has used his strong skills in strategic planning to successfully restructure these and give them a solid financial base from which to operate. He has experience in preparing prospectuses and ensuring companies meet the necessary compliance standards for listing on both the Australian and Canadian Securities Exchanges.
Other current directorships:	Chairman of Jumbo Interactive Limited (director since 2006)
Former directorships (last 3 years):	Non-executive Chairman of: MetroCoal Limited (2006 - 2012), Orion Metals Limited (2008 – 2012), Planet Metals Limited (2009 – 2013)
Special responsibilities:	Member of the Audit & Risk Management Committee and the Remuneration Committee
Interests in shares:	None
Interests in options:	None
Interests in rights:	None

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Name:	Andrew L Gillies
Title:	Managing Director
Age:	51
Qualifications:	Bachelor of Science (Geology), MAusIMM
Experience and expertise:	Mr Gillies graduated from the University of Queensland in 1985 with a BSc (Geology), is a member of the Aus.I.M.M. Mr Gillies' key strength is mineral resource management and strategic planning specialising in project generation, selection and acquisition. He has acquired a considerable database and significant knowledge of mineral deposits in Queensland. Since 1985 he has worked continuously as a geologist in the mining and exploration industry, accruing over 28 years experience across a range of commodities. He has valuable experience in the fields of exploration feasibility, development, open pit and underground mining of mineral deposits.
Other current directorships:	Non-executive director of MetroCoal Limited (director since 2006)
Former directorships (last 3 years):	Non-executive director of: Cape Alumina Limited (2004 – 2011), Planet Metals Limited (2009 – 2012), Orion Metals Limited (2008 – 2012)
Special responsibilities:	Managing Director
Interests in shares:	10,475,000
Interests in options:	None
Interests in rights:	None
Name:	Wu Shu
Title:	Non-executive Director
Age:	48
Qualifications:	MBA
Experience and expertise:	Wu Shu is a director of Jien Mining Pty Ltd which holds 40,099,678 shares and 12,293,220 options in Metallica Minerals Limited.
Other current directorships:	Chairman and Director of Jein Nickel Industry Co. Ltd listed on the Shanghai Stock Exchange (director since 2003), Director of Liberty Mines Inc. listed on the TSX, Canada (director since 2009)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit & Risk Management Committee and the Remuneration Committee
Interests in shares:	None
Interests in options:	None
Interests in rights:	None
Name:	John K Haley (retired 26 November 2013)
Title:	Former Executive Director
Age:	52
Qualifications:	Bachelor of Commerce, MBA, GradCert (Marketing), Grad Dip CSP, FCA, FTIA
Experience and expertise:	Mr Haley brings over thirty years of senior corporate experience from positions in Canada and Australia to the board of Metallica Minerals. He has a diverse career in a range of industries including mineral exploration and has participated as a seed capitalist in a number of mineral exploration companies. He is a Director of the Queensland Resources Council. With extensive experience in the preparation of prospectuses, he has had significant involvement in the listing of companies in Australia and Canada. He has previously worked with Coopers & Lybrand and Arthur Andersen & Co and in Australia in general management, financial reporting and company secretarial positions.
Other current directorships:	Alternate Director of MetroCoal Limited (director since 2006)
Former directorships (last 3 years):	Alternate Director of Cape Alumina Limited from 1 February 2011 to 30 November 2011
Special responsibilities:	Chief Financial Officer and Company Secretary
Interests in shares:	30,000*
Interests in options:	None*
Interests in rights:	None*

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Name:	Barry J Casson
Title:	Non-executive Director
Age:	63
Qualifications:	CA, MAICD
Experience and expertise:	Non-executive Director since 1 December 2010. Mr Casson has more than 40 years experience in accounting, finance and general management with several listed and unlisted companies, primarily in the resources industry. He has had extensive international experience in project financing and corporate transactions.
Other current directorships:	Non-executive director of Unitywater since 2013 (statutory authority)
Former directorships (last 3 years):	Non-executive director of Global Resources Corporation Limited from 2006 to 2013
Special responsibilities:	Chairman of the Audit & Risk Management Committee and Remuneration Committee
Interests in shares:	None
Interests in options:	None
Interests in rights:	None
Name:	Tao Li (retired 21 August 2014)
Title:	Alternate Director to Wu Shu
Age:	59
Qualifications:	BE and PhD in Mining Engineering
Experience and expertise:	Dr Tao Li is a specialist in geotechnical and mining engineering as the Principal and Director of TL Geotechnics & Mining. He provides technical and business advice to Australian, Canadian, and Chinese mining companies. He previously worked for 7 years in the Chinese mining industry and for the past 23 years he was an internal advisor to the Australian mining industry as an engineer, manager and group manager for organisations such as Mount Isa Mines, WMC Resources, Gold Fields and Newcrest Mining.
Other current directorships:	Non-executive director of Orion Metals Limited (director since 2010)
Former directorships (last 3 years):	Director of Liberty Mines Inc. listed on the TSX, Canada from 2010 to 2013
Special responsibilities:	Alternate director for Wu Shu on the Audit & Risk Management Committee and Remuneration Committee
Interests in shares:	None
Interests in options:	None
Interests in rights:	None
Name:	Shu Zhang (appointed 21 August 2014)
Title:	Alternate Director to Wu Shu
Age:	58
Qualifications:	BE in Mining Engineering, Ph.D and ME Candidate in Civil and Mining Engineering
Experience and expertise:	Dr Shu Zhang has over 40 years' experience in mining, first as a Miner, then a Mining Engineer, and later an Executive Manager in operations and project development in companies in Australia, China, and Canada. Dr Zhang was one of the key members who played a critical role in the successful development of Sino Gold Mining Limited. Dr Zhang has worked for the Jilin Nickel Group since 2011, and is a director of Jilin's Canadian subsidiaries, being the unlisted Canadian Royalties Inc., and the TSX listed Northern Sun Mining Corporation.
Other current directorships:	Director of Northern Sun Mining Corporation, listed on the TSX, Canada (director since June 2011)
Former directorships (last 3 years):	None
Special responsibilities:	Alternate director for Wu Shu on the Audit & Risk Management Committee and Remuneration Committee
Interests in shares:	None
Interests in options:	None
Interests in rights:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

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* Interests in the shares, options and rights of the company as at the date of resignation as a director.

Company secretary

The Company Secretary in office for the whole of the financial year was John Haley. John is a Chartered Accountant with over 30 years experience in accounting and finance. John has served in Chief Financial Officer and Company Secretary roles for a number of listed and non listed entities.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board		Audit & Risk Management Committee		Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
D K Barwick	16	16	3	3	3	3
A L Gillies	16	16	-	-	-	-
B J Casson	16	16	3	3	3	3
J K Haley (retired 26 November 2013)	7	7	-	-	-	-
W Shu (alternate T Li)	14	16	3	3	3	3

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency

The remuneration structure for key management personnel, excluding non-executive directors, is set by the Board and is based on a number of factors including, market remuneration for comparable companies, particular experience of the individual concerned and overall performance of the consolidated entity. The contracts for service between the consolidated entity and key management personnel are on a continuing basis the terms of which are not expected to change in the immediate future. The consolidated entity retains the right to terminate contracts immediately by making payment of an amount based on the employees years of service. Upon retirement or termination key management personnel, excluding non-executives, are paid employee benefits accrued to date of retirement or termination. No other termination benefits are payable under service contracts except that Mr Andrew Gillies and Mr John Haley are entitled to 6 months salary if a change in control of the company occurs and their employment is terminated, provided the amount payable does not exceed any amount allowable under the Corporations Act 2001 or the ASX Listing Rules. Any options issued which are not exercised on or before the date of termination lapse 3 months after termination. Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Board.

The remuneration framework is aligned to shareholders' interests through:

- a focus on sustained growth in share price and key non-financial drivers of value
- attracting and retaining high caliber executives

The remuneration framework is aligned to employees' interests through:

- rewards capability and experience
- reflecting competitive rates of remuneration in respect of skills and responsibility
- provides a clear structure for earning rewards
- providing recognition for contribution

In accordance with best practice corporate governance, the structure of non-executive directors and executive remuneration is separate.

Non-executive director remuneration

Remuneration of the non-executive directors is approved by the Board and set in aggregate within the maximum amount approved by the shareholders from time to time. The fees have been determined by the Board having regard to industry practice and the need to obtain appropriately qualified independent persons.

The aggregate pool of remuneration paid to non-executive directors was approved by shareholders on 24 November 2010 and is currently \$300,000 per annum for Metallica Minerals Limited as parent entity. The amount paid to non-executive directors of the parent entity (Metallica Minerals Limited) during the year to 30 June 2014 was \$137,000 (2013: \$165,900).

Executive remuneration

The consolidated entity and company aims to reward executives with a level and mix of remuneration, both fixed and variable, based on their position and responsibility.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and adds additional value to the executive.

The long-term incentives ('LTI') includes share-based payments. Options to acquire shares are awarded to executives and exercisable over a period of two years. Performance rights have a nil exercise price and the performance hurdles applicable to any performance period (including how they will be measured) is set out in the invitation to the eligible executives.

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Consolidated entity performance and link to remuneration

Because the consolidated entity is in exploration and not production, there is no direct relationship between the consolidated entity's financial performance and the level of remuneration paid to key management personnel.

At 30 June 2014 the market price of the company's ordinary shares was 4 cents per share (30 June 2013: 9 cents per share). No dividends were paid during the year ended 30 June 2014.

Given that the remuneration is commercially reasonable, the link between remuneration, company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a minerals company. Share prices are subject to the influence of international metal prices and market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration. The company may issue options to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of key management personnel with those of the company's shareholders.

Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as determined by the Board of Directors.

Except in so far as Directors and other key management personnel hold options or performance rights over shares in the company, there is no relationship between remuneration policy and the company's performance.

Use of remuneration consultants

The company did not engage remuneration consultants during the financial year ended 30 June 2014.

Voting and comments made at the company's 26 November 2013 Annual General Meeting ('AGM')

The company received 98% of 'for' votes in relation to its remuneration report for the year ended 30 June 2013. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Metallica Minerals Limited:

- D K Barwick
- A L Gillies
- Tao Li
- B J Casson
- Wu Shu

And the following persons:

- J K Haley - Chief Financial Officer and Company Secretary - Metallica Minerals Limited
- G S Becker - Chief Executive Officer (until 18 October 2013) - Metallica Minerals Limited
- S W Hagan - Project Manager Industrial Minerals - Phoenix Lime Pty Limited

Changes since the end of the reporting period

Dr. T Li resigned from the position of alternate director to Dr. W Shu on 21 August 2014 and Dr. S Zhang was appointed as alternate director to Dr. W Shu on the same date.

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	Short-term benefits		Post-employment	Long-term benefits		Share-based payments	
	Cash salary and fees	Cash bonus	Super-annuation	Long service leave	Termination benefits	Options, rights & shares	Total
2014	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
D K Barwick	59,954	-	5,546	-	-	-	65,500
B J Casson	43,500	-	-	-	-	-	43,500
T Li (alternate)	42,000	-	-	-	-	-	42,000
<i>Executive Directors:</i>							
A L Gillies	159,686	-	16,791	7,845	-	10,350	194,672
<i>Other Key Management Personnel:</i>							
J K Haley*	133,324	-	10,715	3,562	-	9,330	156,931
G S Becker**	78,323	-	7,245	(2,325)	25,171	26,850	135,264
S W Hagan***	155,818	-	15,059	24,961	-	3,600	199,438
	<u>672,605</u>	<u>-</u>	<u>55,356</u>	<u>34,043</u>	<u>25,171</u>	<u>50,130</u>	<u>837,305</u>

Dr. Wu Shu (Non-executive director) did not receive any remuneration during the 2014 financial year.

*Mr J K Haley retired as a director on 26 November 2013 but continued as the company's Chief Financial Officer and Company Secretary. Amounts shown above include all Mr Haley's remuneration during the reporting period including the period when he was a director. Amounts received in his position as a director amounted to \$78,769, made up of cash salary and fees of \$71,358, superannuation of \$5,927 and long service leave of \$1,484.

**Mr G S Becker was Chief Executive Officer of Metallica Minerals Limited until 18 October 2013. Mr Becker received 124,837 ordinary shares of \$16,500 in lieu of his cash salary during the 2014 financial year.

***Mr S W Hagan is considered to be a key management person with effect from 1 July 2013.

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	Short-term benefits		Post-employment benefits	Long-term benefits		Share-based payments	
	Cash salary and fees	Cash bonus	Super-annuation	Long service leave	Termination benefits	Options, rights & shares	Total
2013	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
D K Barwick	65,504	-	5,896	-	-	-	71,400
B J Casson	52,500	-	-	-	-	-	52,500
T Li (alternate)	42,000	-	-	-	-	-	42,000
<i>Executive Directors:</i>							
A L Gillies	304,761	-	20,710	4,158	-	9,783	339,412
J K Haley	136,937	-	11,972	8,443	-	-	157,352
<i>Other Key Management Personnel:</i>							
G S Becker	322,291	-	20,680	2,325	-	-	345,296
	923,993	-	59,258	14,926	-	9,783	1,007,960

Dr. Wu Shu (Non-executive director) did not receive any remuneration during the 2013 financial year.

The proportion of remuneration linked to performance (i.e. options) and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2014	2013	2014	2013	2014	2013
<i>Non-Executive Directors:</i>						
D K Barwick	100%	100%	-%	-%	-%	-%
B J Casson	100%	100%	-%	-%	-%	-%
T Li	100%	100%	-%	-%	-%	-%
<i>Executive Directors:</i>						
A L Gillies	95%	97%	-%	-%	5%	3%
<i>Other Key Management Personnel:</i>						
J K Haley	94%	100%	-%	-%	6%	-%
G S Becker*	80%	100%	-%	-%	20%	-%
S W Hagan	98%	-%	-%	-%	2%	-%

* Mr G S Becker received ordinary shares of \$16,500 in lieu of his cash salary during the 2014 financial year

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Andrew Langham Gillies
Title: Managing Director
Agreement commenced: 23 March 2009
Term of agreement: Ending on 31 December 2014
Details: The contract may be terminated by 1 months' notice from either party. The contract is to be reviewed annually by the Board of Directors and was last reviewed in November 2013. Following this review the base salary (including the superannuation guarantee levy) was reduced from \$330,000 to \$165,000 in September 2013 (the short term benefits disclosed in the remuneration table for Andrew Gillies includes amounts received from controlled entities). The contract provides for payment of 6 months of base salary if control of the company changes or Andrew Gillies employment is terminated. Andrew is also entitled to 500,000 options to acquire shares in the company at 10 cents per share. The 500,000 options were granted on 21 August 2014 and expire on 31 December 2016.

Name: John Kevin Haley
Title: Chief Financial Officer and Company Secretary
Agreement commenced: 1 July 2009
Term of agreement: Ending on 31 December 2014
Details: The contract may be terminated by 1 months' notice from either party. The contract is to be reviewed annually by the Board of Directors and was last reviewed in November 2013. Following this review the base salary including the superannuation guarantee levy was reduced from \$150,000 to \$120,000 in September 2013 (the short term benefits disclosed in the remuneration table for John Haley includes amounts received from controlled entities). The contract provides for payment of 6 months of base salary if control of the company changes or John Haley's employment is terminated. John is also entitled to 500,000 options to acquire shares in the company at 10 cents per share. The 500,000 options were granted on 20 December 2013 and expire on 31 December 2016.

Name: Gavin Sydney Becker
Title: Chief Executive Officer
Agreement commenced: 29 July 2011
Term of agreement: Agreement terminated on 18 October 2013
Details: Base salary including the 9.25% superannuation guarantee levy was \$165,000 for the year ended 30 June 2014. The base salary was reviewable annually at the Board's discretion. The CEO was also entitled to 2,000,000 options to acquire shares in the company and cash bonuses based on the achievement of agreed key performance indicators. The 2,000,000 options were granted on 28 June 2011 and expired on 28 June 2014. The agreement could be terminated by 1 months' notice from either party or by the company immediately (and without notice or an entitlement to any redundancy or other payment) in the event of gross negligence or serious misconduct.

Name: Stewart Hagan
Title: Project Manager - Industrial Minerals
Agreement commenced: 1 July 2012
Term of agreement: On-going
Details: The contract is to be reviewed annually and was last reviewed in July 2013. The base salary (including superannuation) was \$177,857 for the year ended 30 June 2014. The contract may be terminated by 3 months' notice from either party.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

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Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Date	Shares	Issue price	\$
G S Becker	13 August 2013	124,837	\$0.132	16,500

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
20 December 2013	20 December 2013	31 December 2016	\$0.100	\$0.019

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Number of options granted during the year 2014	Number of options vested during the year 2014
J K Haley	500,000	500,000

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
J K Haley	9,330	-	-	6%

For the options that lapsed during the year, the value of the options at the date they lapsed was nil.

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Performance rights

The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Number of rights granted during the year 2014	Number of rights vested during the year 2014
A L Gillies	-	115,000
G S Becker	-	115,000
S W Hagan	-	40,000

Values of performance rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Value of rights granted during the year \$	Value of rights vested during the year \$	Value of rights lapsed during the year \$	Remuneration consisting of rights for the year %
A L Gillies	-	10,350	41,400	5%
G S Becker	-	10,350	41,400	8%
S W Hagan	-	3,600	12,600	2%

The performance rights that were granted during the 2013 financial year, were not subject to any performance conditions and vested at the discretion of the Board of Directors. These rights were valued at their intrinsic value at the vesting date.

Equity instruments issued on exercise of remuneration options/rights

Details of equity instruments issued during the year to key management personnel as a result of options and performance rights exercised that had previously been granted as compensation are as follows:

Name	Number of shares issued exercise of options/rights	Number of options/rights exercised \$	Amount paid per share \$	Amount unpaid per share \$
A L Gillies	115,000	115,000	-	-
G S Becker	115,000	115,000	-	-
S W Hagen	40,000	40,000	-	-

Additional information

The earnings of the consolidated entity for the five years to 30 June 2014 are summarised below:

	2010 \$	2011 \$	2012 \$	2013 \$	2014 \$
Profit/(loss) after income tax	(3,822,395)	24,887,604	(21,917,545)	(22,116,670)	(17,524,186)

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The factors that are considered to affect Total Shareholders Return ('TSR') are summarised below:

	2010	2011	2012	2013	2014
Share price at financial year end (\$)	0.21	0.32	0.22	0.09	0.04
Basic earnings per share (cents per share)	(2.49)	21.10	(16.26)	(15.62)	(9.52)
Share buy-back (\$)	374,512	81,709	-	-	-

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received on vesting of rights	Additions	Disposals/ other*	Balance at the end of the year
<i>Ordinary shares</i>					
A L Gillies	10,360,000	115,000	-	-	10,475,000
J K Haley	30,000	-	-	-	30,000
G S Becker**	312,500	115,000	124,837	(552,337)	-
S W Hagan	283,600	40,000	-	-	323,600
	<u>10,986,100</u>	<u>270,000</u>	<u>124,837</u>	<u>(552,337)</u>	<u>10,828,600</u>

None of the shares above are held nominally by the directors or any of the other key management personnel.

Dr. Wu Shu (Non-executive Director) is a director of Jien Mining Pty Ltd which holds 39,400,373 shares and 12,293,220 options in Metallica Minerals Limited.

* Includes the removal from the table of the shareholdings for key management personnel who have either resigned during the period or are no longer considered to be a key management person.

** Mr G S Becker received 124,837 shares in lieu of his cash salary.

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
D K Barwick	1,000,000	-	-	(1,000,000)	-
A L Gillies	1,000,000	-	-	(1,000,000)	-
J K Haley	1,000,000	500,000	-	(1,000,000)	500,000
T Li	1,000,000	-	-	(1,000,000)	-
B J Casson	1,000,000	-	-	(1,000,000)	-
G S Becker	2,000,000	-	-	(2,000,000)	-
	<u>7,000,000</u>	<u>500,000</u>	<u>-</u>	<u>(7,000,000)</u>	<u>500,000</u>
			Vested and exercisable	Vested and unexercisable	Balance at the end of the year
<i>Options over ordinary shares</i>					
J K Haley			500,000	-	500,000
			<u>500,000</u>	<u>-</u>	<u>500,000</u>

No other key management personnel held options.

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Directors' report
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Performance rights holding

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
A L Gillies*	575,000	-	(115,000)	(460,000)	-
G S Becker*	575,000	-	(115,000)	(460,000)	-
S W Hagan*	200,000	-	(40,000)	(160,000)	-
	<u>1,350,000</u>	<u>-</u>	<u>(270,000)</u>	<u>(1,080,000)</u>	<u>-</u>

* The Board of Directors in its absolute discretion determined that a total of 270,000 rights would vest on 13 August 2013 for A L Gillies, G S Becker and S W Hagan. The rights that were subject to a performance hurdle did not vest due to the specified performance hurdles not being achieved.

Loans to key management personnel and their related parties

There were no loans owing by key management personnel of the group, including their close family members and entities related to them, during the financial year ended 30 June 2014.

Other transactions with key management personnel and their related parties

There were no other transactions with key management personnel of the group, including their close family members and entities related to them, during the financial year ended 30 June 2014.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Metallica Minerals Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
3 August 2011	3 August 2016	\$0.500	1,000,000
3 October 2011	3 October 2014	\$0.400	200,000
15 March 2013	31 March 2015	\$0.200	512,500
12 June 2013	30 September 2014	\$0.250	14,166,666
20 December 2013	31 December 2016	\$0.100	500,000
21 August 2014	31 December 2016	\$0.100	500,000
			<u><u>16,879,166</u></u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares under performance rights

There were no unissued ordinary shares of Metallica Minerals Limited under performance rights outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Metallica Minerals Limited issued on the exercise of options during the year ended 30 June 2014 and up to the date of this report.

Metallica Minerals Limited
Directors' report
30 June 2014

Shares issued on the exercise of performance rights

The following ordinary shares of Metallica Minerals Limited were issued during the year ended 30 June 2014 and up to the date of this report on the exercise of performance rights granted:

Date performance rights granted	Exercise price	Number of shares issued
22 November 2012	\$0.000	115,000
21 December 2012	\$0.000	<u>450,000</u>
		<u><u>565,000</u></u>

Indemnity and insurance of officers

Each of the Directors and the Secretary of the company have entered into a Deed with the company whereby the company has provided certain contractual rights of access to books and records of the company to those Directors and Secretary. The company has insured all of the Directors of Metallica Minerals Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act 2001 does not require disclosure of the information in these circumstances.

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former audit partners of BDO Audit Pty Ltd

There are no officers of the company who are former audit partners of BDO Audit Pty Ltd .

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

BDO Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

Metallica Minerals Limited
Directors' report
30 June 2014

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to be 'D K Barwick', written over a large, light-colored oval shape.

D K Barwick
Chairman

29 September 2014
Brisbane

DECLARATION OF INDEPENDENCE BY ANTHONY WHYTE TO DIRECTORS OF METALLICA MINERALS LIMITED

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

1. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. any applicable code of professional conduct in relation to the audit.

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



A J Whyte
Partner

BDO Audit Pty Ltd

Location, 29 September 2014

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the ASX Best Practice Recommendations in the reporting period. These recommendations are guidelines designed to produce an efficiency, quality or integrity outcome. The recommendations are not prescriptive so that if a company considers that a recommendation is inappropriate having regard to its own circumstances, the company has the flexibility not to follow it. Where a company has not followed all the recommendations, the annual report must identify which recommendations have not been followed and give reasons for not following them.

A table has been included at the end of this statement which sets out the ASX Best Practice Recommendations and states whether the Company has complied with each recommendation in the reporting period. Where the Company considered it was not appropriate to comply with a particular recommendation the reasons are set out in the notes referenced in the table. A full copy of the Company's Corporate Governance Charter is available on the Company's website at www.metallicaminerals.com.au.

Role of the Board

Generally, the powers and obligations of the Board are governed by the *Corporations Act* and the general law. Without limiting those matters, the Board expressly considers itself responsible for the following:

1. Ensuring compliance with the *Corporations Act*, ASX Listing Rules (where appropriate) and all relevant laws;
2. Developing, implementing and monitoring operational and financial targets for the Company;
3. Appointment of appropriate staff, consultants and experts to assist in the Company's operations specifically, including the selection and monitoring of a Chief Executive Officer or Managing Director;
4. Ensuring appropriate financial and risk management controls are implemented;
5. Approving and monitoring financial and other reporting;
6. Setting, monitoring and ensuring appropriate accountability for directors' and executive officers' remuneration;
7. Establishing and maintaining communications and relations between the Company and third parties, including its shareholders and ASX by delegating such a role to the Managing Director or Company Secretary as relevant;
8. Implementing appropriate strategies to monitor performance of the Board in implementing its functions and powers;
9. Oversight of the Company including its framework of control and accountability systems to enable risk to be assessed and managed;
10. Appointing and removing the Chief Executive Officer and/or Managing Director;
11. Appointing and removing the Chief Financial Officer and the Company Secretary;
12. Input into and final approval of the management's development of corporate strategy and performance objectives;
13. Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
14. Monitoring senior management's performance, implementation of strategy and ensuring appropriate resources are available;
15. Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
16. Approval of the annual budget;
17. Monitoring the financial performance of the Company;
18. Liaising with the Company's external auditors in conjunction with the Audit & Risk Management Committee;
19. Monitoring, and ensuring compliance with, all of the Company's legal obligations;
20. Approving and monitoring financial and other reporting;
21. Appointing and overseeing relevant Committees where appropriate to assist in the above functions and powers.

Role of Management

The Board has delegated responsibilities and authorities to the Managing Director and/or Chief Executive Officer to enable them to conduct the Company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits or do not form part of the approved budget, require Board approval. An evaluation of the performance of senior management during the Financial Year, being the Chief Executive Officer and Chief Financial Officer, will be undertaken at a Board Meeting of the Company by the three non-executive Directors, with the Chairman then discussing this review separately with each of the Executives. This is considered to be an appropriate process as the Company is in the exploration and evaluation stage therefore it is not possible to evaluate performance against revenue or profit targets.

Board Processes

The Board of Metallica Minerals Limited meets on a regular basis. The agenda for these meetings is prepared by the Chairman and Company Secretary in conjunction with the Directors. Relevant information is circulated to Board members in advance of the meetings.

Composition of the Board

At the date of this report the Board comprises one executive Director and three non-executive Directors, one of whom is the Chairman, one other is an independent Director and the remaining non-executive Director not being independent. For the period 1 July 2013 to 26 November 2013 the board comprised 2 independent and 3 non-independent directors (2:3). Since 26 November 2013 the board comprises an equal number of independent and non-independent directors (2:2).

Director	Appointed	Non-Executive	Independent	Retiring at 2014	Seeking re-election at 2014
				AGM	AGM
Mr A L Gillies	15 January 1997	No	No	No	N/A
Mr D K Barwick	11 March 2004	Yes	Yes	Yes	Yes
Dr. S Wu	12 May 2009	Yes	No	Yes	Yes
Mr B J Casson	1 December 2010	Yes	Yes	No	N/A

The Directors are subject to re-election by shareholders. All Directors, apart from the Managing Director, are subject to re-election by rotation within every three years. The Company's Constitution provides that one-third of the Directors retire by rotation each Annual General Meeting of Shareholders (AGM). Those Directors who are retiring may submit themselves for re-election by shareholders, including any Director appointed to fill a casual vacancy or recruited since the date of the last AGM.

The current Directors have a broad range of qualifications, experience and expertise in managing mineral exploration companies as set out in the Directors section of the Directors' Report.

Independence of Non-Executive Directors

The Board considers an independent director to be a non-executive director who meets the criteria for independence included in the ASX Best Practice Recommendations. The Board considers that Mr D K Barwick and Mr B J Casson meet these criteria.

Director Access to Independent Professional Advice

The Company acknowledges that Directors require high quality information and advice on which to base their decisions and considerations. With the prior approval of the Chairman, all Directors have the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors. If the Chairman is unable or unwilling to give approval, Board approval will be sufficient.

Company Materiality Threshold

The Board acknowledges that assessment on materiality and subsequent appropriate thresholds are subjective and open to change.

The Board has considered quantitative, qualitative and cumulative factors when determining the materiality of a specific relationship of directors.

Ethical Standards

As part of the Board's commitment to the highest standard of conduct, the Company adopts a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- responsibilities to shareholders;
- compliance with laws and regulations;
- relations with customers and suppliers;
- ethical responsibilities;
- employment practices; and
- responsibility to the environment and the community.

Board Committees

As at the date of this report, the Company does have an Audit & Risk Management Committee and a Remuneration Committee; currently there is no Nomination Committee of the Board of Directors. The full Board of Directors undertake the role of the Nomination Committee. Given the composition of the Board and the size of the Company, it is felt a separate Nomination Committee is not yet warranted, however it is expected that as the Company's operations expand the needs in this regard will be monitored.

Continuous Disclosure and Shareholder Communication

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market. In accordance with continuous disclosure requirements under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner. All information disclosed to the ASX is posted on the Company's website www.metallicaminerals.com.au.

Shareholders are forwarded documents according to their preferences as notified to the Share Registrar, including Notices to each Annual General Meeting or General Meeting held during each year, the Annual Report of the Company, Notice of Meetings and Explanatory Memorandum and Proxy Forms, and are invited to attend each shareholder meeting. The Company's External Auditor is also invited and is present at Annual General Meetings to answer any queries shareholders may have with regard to the audit and preparation and content of the Audit Report.

The Company actively encourages shareholders to provide their email contact details so that they can receive all ASX releases as they are released to the market.

Managing Business Risk

The Board, in conjunction with the Audit & Risk Management Committee of the Board, constantly monitors the operational and financial aspects of the Company's activities and is responsible for the implementation and ongoing review of business risks that could affect the Company. Duties in relation to risk management that are conducted by the Directors include but are not limited to:

- regularly review the internal assessment of corporate and project risk, including updated risk registers and the Company's Risk Policy;
- initiate action to prevent or reduce the adverse effects of risk;
- control further treatment of risks until the level of risk becomes acceptable;
- identify and record any problems relating to the management of risk;
- initiate recommend or provide solutions through designated channels;
- verify the implementation of solutions;
- communicate and consult internally and externally as appropriate; and
- to inform investors of material changes to the Company's risk profile.

Ongoing review of the overall risk management program (inclusive of the review of adequacy of treatment plans) is conducted by external parties where appropriate.

The Board ensures that recommendations made by the external parties are investigated and, where considered necessary, appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified.

During the current financial year the Company reviewed its risk management procedures. The review process resulted in the completion of an updated Risk Management Policy, Risk Register and a Risk Management Framework which forms the basis of the risk management and internal control system to manage the Company's material business risk and report to it on whether those risks are being identified and managed effectively. The Risk Register identified risk in the broad categories of operations management, asset management, environment, compliance/financial reporting, strategic management, ethical conduct, reputation, occupational health and safety/human resources, IT/technology, finance/business continuity, tenements/resource statements and stakeholder communications. A copy of the Risk Management Policy and Framework are publicly available on the Company's web site at www.metallicaminerals.com.au.

The Board has required management to design and implement a risk management and internal control system to manage the group's material business risks. The Company has recently updated its Risk Management Policy and Risk Management Framework and has identified the material business risks affecting the Company and has delegated responsibilities for those material business risks to senior staff members.

The Board has received reports from management as to the effectiveness of the Company's management of its business risks. The Company has a number of mechanisms in place to ensure that the management regularly reports on matters relating to risks. The reports by management and the separate reviews undertaken by the Audit & Risk Management Committee to the Board have been provided under the former system of risk management and internal control.

The Board requires management to report to it on whether material business risks are being managed effectively. As the Company has recently updated its Risk Management Framework, Risk Management Policy and procedures the Board has yet to receive reports from management as to the effectiveness of the Company's updated system for managing its material business risk.

In accordance with section 259A of the Corporations Act 2001, the Managing Director and Chief Financial Officer have provided a declaration to the Board that:

- In their view information provided in the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- The Company's risk management and internal compliance and control system is operating effectively in all material respects.

It is noted that the assurance from the Managing Director and Chief Financial Officer can only be reasonable and not absolute due to the level of judgement required, the limitations of sampling and the difficulty in designing systems to detect all weaknesses in internal control procedures.

Board Performance Evaluations

An evaluation of the Board's performance is undertaken annually by the Board. This is an internal process and does not generally involve external review of the Board or its performance. However the Board used an independent facilitator in this year's performance review. The review endorsed the current Board and Committee processes.

Trading Policy

A copy of the Company's share trading policy is included on the Company's website.

ASX Best Practice Recommendations

The table below summarises the Company's compliance with the ASX Best Practice Recommendations at the date of this report. Where the Company has complied with a recommendation during the reporting period, this is indicated with a "Yes" in the appropriate column and the policy is contained in the Company's Corporate Governance Charter available on the Company's website at www.metallicaminerals.com.au. Where the Company considered it was not appropriate to comply with a particular recommendation, this is indicated with a "No" and the Company's reasons are set out in the corresponding note at the end of the table.

	Description	Complied	Note
1.1	Formalise and disclose the functions reserved to the Board and those delegated to senior executives. These functions are set out under Role of the Board and Role of Management in this Statement.	Yes	
1.2	Disclose the process for evaluating the performance of senior executives.	Yes	
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	Yes	
2.1	A majority of the Board should be independent directors.	No	2
2.2	The Chairperson should be an independent director.	Yes	
2.3	The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.	Yes	
2.4	The Board should establish a Nomination Committee.	No	2
2.5	Disclose the process for evaluating the performance of its Board, committees and individual directors.	No	3
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	Yes	
3.1	Establish a code of conduct and disclose the code or a summary of the code.	Yes	
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy.	No	4
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	No	4
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes	4
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	Yes	
4.1	The Board should establish an Audit Committee.	Yes	
4.2	Structure the Audit Committee so that it consists of: <ul style="list-style-type: none"> only Non-Executive Directors a majority of Independent Directors an independent Chairperson, who is not chairperson of the Board at least three members. 	Yes Yes Yes Yes	
4.3	The Audit Committee should have a formal charter.	Yes	
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	Yes	
5.1	Establish and disclose written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements to ensure accountability at a senior executive level for that compliance.	Yes	
5.2	Provide the information indicated in the guide to reporting on Principal 5.	Yes	
6.1	Design and disclose a communication strategy to promote effective communication with the shareholders and encourage effective participation at general meetings - refer to Continuous Disclosure and Shareholder Communication as set out above.	Yes	
6.2	Provide the information indicated in the Guide to reporting on Principal 6.	Yes	
7.1	Establish and disclose policies for oversight and management of material business risks.	Yes	
7.2	Design and implement risk management and internal control systems to manage and report on material business risks. Disclose reporting as to effectiveness of management of material business risks.	Yes	
7.3	Disclose whether the Board has received assurance from Chief executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	

	Description	Complied	Note
7.4	Provide the information indicated in the Guide to reporting on Principle 7.	Yes	
8.1	Establish a Remuneration Committee.	Yes	
8.2	The Remuneration Committee should be structured so that it: <ul style="list-style-type: none"> • consists of a majority of independent directors • is chaired by an independent chair • has at least three members 	Yes	
8.3	Provide the information indicated in the Guide to reporting on principle 8.	Yes	

Notes

1. The Company has compiled relevant corporate governance documentation, such as charters, codes of conduct, and policies, which have been placed on the Company's website at www.metallicaminerals.com.au under the heading "Corporate Governance".
2. As at the date of this report, the Company does not have a Nomination Committee of the Board of Directors, and does not have a majority of independent Directors. The full Board of Directors undertake the role of the Nomination Committee. Given the composition of the Board and the size of the Company, it is felt that an individual Nomination Committee is not yet warranted, however as the Company's operations expand consideration will be given to establishing a Nomination Committee and if possible the Company will increase the number of independent Directors.
3. There is no formal policy on the selection of Directors. The remuneration of all Directors and key management personnel is as set out in the Remuneration Report in the Directors' Report.
4. The Company has not established a formal diversity policy; however the Company is committed to equal opportunity and diversity.

At 30 June 2014 the Company has 4 directors and only 6 employees. There are no female Directors on the Board at the present time. The proportion of female employees to male employees within the Group as at 30 June 2014 was 17% female and 83% male.

During the 2014 year no appointments were made which would alter the gender diversity within senior management and the company instituted a number of redundancies.

The Directors have considered the impact on shareholder's interests relating to good governance, of the absence of a formal diversity policy. The Board is satisfied that shareholder's interests nevertheless continue to be served.

Metallica Minerals Limited

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30 June 2014

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General information

The financial statements cover Metallica Minerals Limited as a consolidated entity consisting of Metallica Minerals Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Metallica Minerals Limited's functional and presentation currency.

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

71 Lytton Road
East Brisbane
QLD 4169

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 September 2014. The directors have the power to amend and reissue the financial statements.

Metallica Minerals Limited
Statement of comprehensive income
For the year ended 30 June 2014

	Note	Consolidated 2014 \$	2013 \$
Revenue	4	374,307	489,299
Share of losses of associates accounted for using the equity method		(3,214,699)	(226,258)
Other income	5	4,818	2,424,688
Expenses			
Rental expenses		(220,286)	(213,457)
Employee benefits expense		(1,136,682)	(1,869,780)
Exploration costs		(217,232)	(624,023)
Depreciation and amortisation expense	6	(52,917)	(99,741)
Loss on sale of investments	6	(696,151)	-
Exploration and evaluation expenditure impaired		(10,980,269)	(19,035,754)
Legal fees		(126,666)	(168,869)
Impairment of financial assets	6	(924,771)	(11,998,801)
Airfares and conferences		(29,486)	(217,391)
Professional fees		(126,452)	(192,090)
Other expenses		(546,254)	(1,144,216)
Finance costs	6	(2,023)	(96,890)
Raw materials and consumables		(125,006)	(59,038)
Advertising and promotional costs		(20,937)	(56,160)
Listing fees and share register expenses		(63,728)	(97,671)
Loss before income tax benefit		(18,104,434)	(33,186,152)
Income tax benefit	7	2,771,310	11,069,482
Loss after income tax benefit for the year attributable to the owners of Metallica Minerals Limited	23	(15,333,124)	(22,116,670)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Metallica Minerals Limited		<u>(15,333,124)</u>	<u>(22,116,670)</u>
		Cents	Cents
Basic earnings per share	38	(9.55)	(15.62)
Diluted earnings per share	38	(9.55)	(15.62)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Metallica Minerals Limited
Statement of financial position
As at 30 June 2014

	Note	Consolidated 2014 \$	2013 \$
Assets			
Current assets			
Cash and cash equivalents	8	988,033	2,297,319
Trade and other receivables	9	90,695	180,187
Inventories	10	91,437	91,344
Current tax receivable		579,280	3,110,118
Held to maturity investments	11	244,190	729,440
Total current assets		<u>1,993,635</u>	<u>6,408,408</u>
Non-current assets			
Investments accounted for using the equity method	12	-	3,214,699
Available-for-sale financial assets	13	-	1,797,856
Property, plant and equipment	14	135,340	173,179
Exploration and evaluation	15	14,586,098	22,730,487
Other	16	215,264	214,249
Total non-current assets		<u>14,936,702</u>	<u>28,130,470</u>
Total assets		<u>16,930,337</u>	<u>34,538,878</u>
Liabilities			
Current liabilities			
Trade and other payables	17	576,068	601,354
Employee benefits	18	128,019	251,044
Total current liabilities		<u>704,087</u>	<u>852,398</u>
Non-current liabilities			
Deferred tax	19	-	2,245,512
Employee benefits	20	103,885	65,759
Total non-current liabilities		<u>103,885</u>	<u>2,311,271</u>
Total liabilities		<u>807,972</u>	<u>3,163,669</u>
Net assets		<u>16,122,365</u>	<u>31,375,209</u>
Equity			
Issued capital	21	30,133,461	30,116,961
Reserves	22	7,877,893	7,814,113
Accumulated losses	23	(21,888,989)	(6,555,865)
Total equity		<u>16,122,365</u>	<u>31,375,209</u>

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

Metallica Minerals Limited
Statement of changes in equity
For the year ended 30 June 2014

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2012	24,958,697	7,767,656	15,560,805	48,287,158
Loss after income tax benefit for the year	-	-	(22,116,670)	(22,116,670)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(22,116,670)	(22,116,670)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 39)	-	46,457	-	46,457
Contributions of equity net of transaction costs (note 21)	5,158,264	-	-	5,158,264
Balance at 30 June 2013	<u>30,116,961</u>	<u>7,814,113</u>	<u>(6,555,865)</u>	<u>31,375,209</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2013	30,116,961	7,814,113	(6,555,865)	31,375,209
Loss after income tax benefit for the year	-	-	(15,333,124)	(15,333,124)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(15,333,124)	(15,333,124)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 39)	-	63,780	-	63,780
Contributions of equity net of transaction costs (note 21)	16,500	-	-	16,500
Balance at 30 June 2014	<u>30,133,461</u>	<u>7,877,893</u>	<u>(21,888,989)</u>	<u>16,122,365</u>

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

Metallica Minerals Limited
Statement of cash flows
For the year ended 30 June 2014

	Note	Consolidated 2014 \$	2013 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		412,749	396,331
Payments to suppliers and employees (inclusive of GST)		(2,644,772)	(5,606,332)
		(2,232,023)	(5,210,001)
Interest received		51,050	204,416
Interest and other finance costs paid		(2,023)	(96,890)
Research and Development Tax offset		3,056,636	2,662,145
Net cash from/(used in) operating activities	36	873,640	(2,440,330)
Cash flows from investing activities			
Payments for property, plant and equipment	14	(15,078)	(21,728)
Payments for security deposits		(1,015)	(4,848)
Payments for exploration and evaluation	15	(2,835,880)	(9,792,713)
Proceeds from sale of shares in Planet Metals Limited - net		-	438,586
Proceeds from sale of investment in Cape Alumina Limited		183,796	-
Proceeds from return of capital by Planet Metals Limited		-	1,434,524
Proceeds from sale of shares in Orion Metals Limited		-	2,168,430
(Payment)/receipt for term deposit		485,251	6,469,085
Net cash from/(used in) investing activities		(2,182,926)	691,336
Cash flows from financing activities			
Proceeds from issue of shares		-	5,481,904
Share issue transaction costs		-	(462,278)
Repayment of borrowings		-	(1,000,000)
Net cash from financing activities		-	4,019,626
Net increase/(decrease) in cash and cash equivalents		(1,309,286)	2,270,632
Cash and cash equivalents at the beginning of the financial year		2,297,319	26,687
Cash and cash equivalents at the end of the financial year	8	988,033	2,297,319

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. None of the new standards and amendments to standards affected any of the amounts recognised in the current period or any prior period.

The adoption of AASB 10 Consolidated Financial Statements resulted in a change in accounting policy but did not result in any adjustments to the amounts recognised in the financial statements. The other standards only affected the disclosures in the notes to the financial statements.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

Changes in accounting policy

As a result of AASB 10 Consolidated Financial Statements, the consolidated entity changed its accounting policy (Principles of consolidation) for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements and in Interpretation 112 Consolidation – Special Purpose Entities. Under the new principles, the consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The consolidated entity has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Material uncertainty regarding going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the consolidated entity to maintain continuity of normal business activities, to pay its debts as and when they fall due and to recover the carrying value of exploration and evaluation expenditure, is dependent on the ability of the consolidated entity to successfully raise additional capital and/or successful exploration and subsequent exploitation of areas of interest through sale or development.

In common with many exploration companies, the company raises finance for its exploration and appraisal activities in discrete tranches. Post June 2013, the company has raised finance as follows:

- In June 2013 the company raised \$2,125,000 (before costs) through a renounceable rights issue to fund the SCONI project, Mineral Sands and Limestone projects and fund its working capital requirements for the foreseeable future. Additionally, the following
- On 1 August 2014 the company received a \$500,000 deposit in accordance with a joint venture agreement with a private Chinese investor who is to provide a total of \$7.5 million to develop the company's Urquhart Project. On 8 September 2014 the company announced it had received A\$2.7 million into the joint venture bank account in terms of the joint venture agreement (refer note 35).
- On 18 August 2014 the company announced that it had successfully completed a book build to raise A\$500,000 for working capital. The placement comprised issuing 6.25 million ordinary shares at 8 cents per share, raising \$500,000 (before costs).

Note 1. Significant accounting policies (continued)

The company also expects to receive a research and development refund of \$579,280 during the 2015 financial year. Additionally, the Directors have taken steps to significantly reduce project, corporate and administration expenditure to preserve cash and maintain the consolidated entity's core project assets - SCONI and Weipa.

Accordingly, the Directors are satisfied that the going concern basis of preparation is appropriate. The financial statements have therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Should the group not be able to raise capital when required or manage its expenditure so as to conserve cash over the coming 12 months, there exists a material uncertainty regarding the company's and group's ability to continue as a going concern and realise its assets and settle its liabilities and commitments in the normal course of business at the amounts stated in the financial statements. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities which might be necessary should the company not be able to continue as a going concern.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for the revaluation of available-for-sale financial assets.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation

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

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

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

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

Note 1. Significant accounting policies (continued)

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

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 1. Significant accounting policies (continued)

Metallica Minerals Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

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

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 1. Significant accounting policies (continued)

Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant and equipment	15-40% per annum
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Note 1. Significant accounting policies (continued)

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Restoration, rehabilitation and environmental expenditure

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Estimates of future costs are reassessed at least annually. Changes in estimates relating to areas of interest in the exploration and evaluation phase are dealt with retrospectively, with any amounts that would have been written off or provided against under the accounting policy for exploration and evaluation immediately written off.

Restoration from exploration drilling is carried out at the time of drilling and accordingly no provision is required.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 1. Significant accounting policies (continued)

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

Note 1. Significant accounting policies (continued)

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

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

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Note 1. Significant accounting policies (continued)

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Metallica Minerals Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

Comparatives

Where required by the Australian Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Note 1. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Note 3. Operating segments

Identification of reportable operating segments

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

Other than interest income and incidental revenues associated with a mining lease held for the purposes of the SCONI exploration project, the Consolidated Entity does not have any products/services it derives revenue from.

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

Note 4. Revenue

	Consolidated	
	2014	2013
	\$	\$
<i>Sales revenue</i>		
Sale of goods	206,236	107,494
<i>Other revenue</i>		
Interest	51,050	177,977
Other revenue	117,021	203,828
	<u>168,071</u>	<u>381,805</u>
Revenue	<u><u>374,307</u></u>	<u><u>489,299</u></u>

Note 5. Other income

	Consolidated	
	2014	2013
	\$	\$
Net gain on disposal of investments	-	2,418,746
Other income	4,818	5,942
Other income	<u><u>4,818</u></u>	<u><u>2,424,688</u></u>

Note 6. Expenses

	Consolidated	
	2014	2013
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	42,192	94,201
Motor vehicles	10,725	5,540
Total depreciation	52,917	99,741
<i>Finance costs</i>		
Interest and finance charges paid/payable	2,023	96,890
<i>Net loss on disposal</i>		
Net loss on disposal of investment in Cape Alumina Limited	696,151	-
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	205,543	199,521
<i>Superannuation expense</i>		
Defined contribution superannuation expense	100,762	178,821
<i>Impairment of financial assets</i>		
Impairment of listed investment - MetroCoal Limited	-	11,346,655
Impairment of listed investment - Cape Alumina Limited	917,224	652,146
Impairment of other financial assets	7,547	-
Total impairment of financial assets	924,771	11,998,801

The impairments recognised above were to adjust the carrying values of investments in associates after equity accounting (where those balances are in excess of market value) or available-for-sale investments to their market value as at balance date. All impairments are considered significant to each investment.

Note 7. Income tax benefit

	Consolidated	
	2014	2013
	\$	\$
<i>Income tax benefit</i>		
Current tax	(579,280)	(3,119,172)
Deferred tax - origination and reversal of temporary differences	(2,219,925)	(7,876,018)
Adjustment recognised for prior periods	27,895	(74,292)
	<u>(2,771,310)</u>	<u>(11,069,482)</u>
Aggregate income tax benefit		
Deferred tax included in income tax benefit comprises:		
Decrease in deferred tax liabilities (note 19)	(2,219,925)	(7,876,018)
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(18,104,434)	(33,186,152)
Tax at the statutory tax rate of 30%	(5,431,330)	(9,955,846)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	24,084	13,938
Non-assessable income	(2,281)	-
Non-deductible expenses	-	9,128
Disposal of investments	842,064	(12,215)
Sundry items	-	(13,489)
	<u>(4,567,463)</u>	<u>(9,958,484)</u>
Adjustment recognised for prior periods	27,895	(74,292)
Current year tax losses not recognised	1,961,351	-
R&D offset reducing current year losses	386,187	2,073,412
R&D tax offset receivable	(579,280)	(3,110,118)
	<u>(2,771,310)</u>	<u>(11,069,482)</u>
Income tax benefit		
	<u>(2,771,310)</u>	<u>(11,069,482)</u>
	Consolidated	
	2014	2013
	\$	\$
Deferred Taxes		
<i>Net unrecognised deferred tax assets</i>		
Unused tax losses	5,900,398	4,699,825
Exploration and evaluation expenditure	(4,325,293)	(6,768,490)
Other deductible temporary differences	386,246	(176,847)
	<u>1,961,351</u>	<u>(2,245,512)</u>
Gross amounts of items in net unrecognised deferred tax assets		
Unused tax losses	19,667,993	15,666,083
Exploration and evaluation expenditure	(14,417,643)	(22,561,633)
Other deductible temporary differences	1,287,485	(589,490)
	<u>6,537,835</u>	<u>(7,485,040)</u>

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed. The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Metallica Minerals Limited
Notes to the financial statements
30 June 2014

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2014	2013
	\$	\$
Cash on hand	1,082	1,082
Cash at bank	986,951	2,296,237
	<u>988,033</u>	<u>2,297,319</u>

Note 9. Current assets - trade and other receivables

	Consolidated	
	2014	2013
	\$	\$
Trade receivables	65,401	72,868
Other receivables	150	5,255
Interest receivable	1,600	1,600
BAS receivable	23,544	100,464
	<u>90,695</u>	<u>180,187</u>

There were no receivables at 30 June 2014 and 30 June 2013 that were impaired or past their due date.

Note 10. Current assets - inventories

	Consolidated	
	2014	2013
	\$	\$
Finished goods - at cost	<u>91,437</u>	<u>91,344</u>

Note 11. Current assets - held to maturity investments

	Consolidated	
	2014	2013
	\$	\$
Term deposits	<u>244,190</u>	<u>729,440</u>

Note 12. Non-current assets - investments accounted for using the equity method

	Consolidated	
	2014	2013
	\$	\$
Investment in MetroCoal Limited	<u>-</u>	<u>3,214,699</u>

Refer to note 34 for further information on interests in associates.

Metallica Minerals Limited
Notes to the financial statements
30 June 2014

Note 13. Non-current assets - available-for-sale financial assets

	Consolidated	
	2014	2013
	\$	\$
Investment in Cape Alumina Limited	-	1,797,172
Investments in unlisted entities	-	684
	<u>-</u>	<u>1,797,856</u>

Reconciliation

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

Opening fair value	1,797,856	2,150,002
Additions	-	300,000
Disposals	(879,948)	-
Impairment of assets	(917,908)	(652,146)
Closing fair value	<u>-</u>	<u>1,797,856</u>

Refer to note 26 for further information on fair value measurement.

During the year the investment in Cape Alumina Limited was revalued down by \$917,224 (30 June 2013: \$652,146). On 17 April 2014 Metallica Minerals Limited sold all its shares in Cape Alumina Limited on-market for a total consideration of \$183,796.

Note 14. Non-current assets - property, plant and equipment

	Consolidated	
	2014	2013
	\$	\$
Plant and equipment - at cost	1,074,126	1,059,048
Less: Accumulated depreciation	(944,248)	(902,056)
	<u>129,878</u>	<u>156,992</u>
Motor vehicles - at cost	21,727	21,727
Less: Accumulated depreciation	(16,265)	(5,540)
	<u>5,462</u>	<u>16,187</u>
	<u>135,340</u>	<u>173,179</u>

Note 14. Non-current assets - property, plant and equipment (continued)

Reconciliations

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

Consolidated	Plant & Equipment \$	Motor Vehicles \$	Total \$
Balance at 1 July 2012	251,192	-	251,192
Additions	-	21,728	21,728
Depreciation expense	(94,201)	(5,540)	(99,741)
Balance at 30 June 2013	156,991	16,188	173,179
Additions	15,078	-	15,078
Depreciation expense	(42,192)	(10,725)	(52,917)
Balance at 30 June 2014	<u>129,877</u>	<u>5,463</u>	<u>135,340</u>

Note 15. Non-current assets - exploration and evaluation

	Consolidated	
	2014	2013
	\$	\$
Exploration and evaluation expenditure	<u>14,586,098</u>	<u>22,730,487</u>

Reconciliations

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

Consolidated	Exploration & Evaluation \$	Total \$
Balance at 1 July 2012	31,973,528	31,973,528
Additions	9,792,713	9,792,713
Impairment of assets	(19,035,754)	(19,035,754)
Balance at 30 June 2013	22,730,487	22,730,487
Additions	2,835,880	2,835,880
Impairment of assets	(10,980,269)	(10,980,269)
Balance at 30 June 2014	<u>14,586,098</u>	<u>14,586,098</u>

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent upon successful development and commercial exploitation or sale of the respective areas of interest.

In keeping with their obligations to review non-current asset carrying values, a review has been undertaken of the SCONI Project as at 30 June 2014. This review took to account a number of relevant attributes including what if any activities are planned for the immediate future and budgets associated with any such activities. Given limited funds currently available and other more immediate development priorities, directors acknowledge there are no major activities planned in the near term, due to budget constraints across the company.

Note 15. Non-current assets - exploration and evaluation (continued)

Directors have also taken to account the current and outlook for the commodities involved, namely nickel, cobalt and scandium. These main commodities of nickel and cobalt remain generally low; the emerging markets for scandium have not developed to the extent anticipated previously. As a result there is insufficient encouragement to justify any of the varied development plans the company has reviewed in recent times. This also severely restricts the company's ability in attracting feasibility study or development funding.

Notwithstanding these considerations directors have more recently been encouraged by expressed interest in the possibility of forming a joint venture, to provide funding to continue SCONI Project optimisation opportunities, and continue with the advanced environmental status of the project.

Taking into account the interest to form a Joint Venture, the directors have formed a view as to the appropriate carrying value, resulting in a provision for impairment of \$10,980,269 (2013: 17,779,770).

The Gippsland Heavy Minerals Sands exploration and evaluation assets were fully impaired by \$1,255,984 in the 2013 financial year.

In accordance with Accounting Standards, the Directors will continue to monitor the appropriate carrying value of all the Company's Projects, including its Mineral Sands and Limestone Projects which have not been impaired at 30 June 2014, and are held at their carrying values of \$4,731,972 (2013: \$2,801,390) and \$854,126 (2013: \$854,126) respectively at 30 June 2014.

Note 16. Non-current assets - other

	Consolidated	
	2014	2013
	\$	\$
Security deposits	215,264	214,249

Note 17. Current liabilities - trade and other payables

	Consolidated	
	2014	2013
	\$	\$
Trade payables	561,708	553,989
Other payables	14,360	47,365
	576,068	601,354

Refer to note 25 for further information on financial instruments.

Note 18. Current liabilities - employee benefits

	Consolidated	
	2014	2013
	\$	\$
Annual leave	128,019	251,044

Note 19. Non-current liabilities – deferred tax

Recognised deferred tax assets and liabilities

Consolidated

	Opening Balance \$	Net Charged to Profit/(loss) \$	Net Credited/ (Charged) to Equity \$	Closing Balance \$
2014				
Deferred tax asset				
Carried forward tax losses	4,699,825	(760,778)	-	3,939,047
Employee benefits	95,041	(25,470)	-	69,571
Net deferred tax on available-for-sale investments	405,136	(348,369)	-	56,767
Net deferred tax on associates	-	145,051	-	145,051
Other deductible capital raising costs	119,668	(41,465)	-	78,203
Other temporary differences	23,056	13,598	-	36,654
	<u>5,342,726</u>	<u>(1,017,433)</u>	<u>-</u>	<u>4,325,293</u>
Deferred tax liability				
Net deferred tax on associates	819,748	(819,748)	-	-
Deferred tax on exploration expenditure	6,768,490	(2,443,197)	-	4,325,293
	<u>7,588,238</u>	<u>(3,262,945)</u>	<u>-</u>	<u>4,325,293</u>
Net deferred tax liability	<u>(2,245,512)</u>	<u>2,245,512</u>	<u>-</u>	<u>-</u>
2013				
Deferred tax asset				
Carried forward tax losses	2,806,994	1,892,831	-	4,699,825
Employee benefits	91,594	3,447	-	95,041
Net deferred tax on available-for-sale investments	209,492	195,644	-	405,136
Other deductible capital raising costs	11,593	(30,563)	138,638	119,668
Other temporary differences	1,802	21,254	-	23,056
	<u>3,121,475</u>	<u>2,082,613</u>	<u>138,638</u>	<u>5,342,726</u>
Deferred tax liability				
Net deferred tax on associates	3,885,183	(3,065,435)	-	819,748
Deferred tax on exploration expenditure	9,570,752	(2,802,262)	-	6,768,490
	<u>13,455,935</u>	<u>(5,867,697)</u>	<u>-</u>	<u>7,588,238</u>
Net deferred tax liability	<u>(10,334,460)</u>	<u>7,950,310</u>	<u>138,638</u>	<u>(2,245,512)</u>

Note 20. Non-current liabilities - employee benefits

	Consolidated 2014 \$	2013 \$
Long service leave	103,885	65,759

Note 21. Equity - issued capital

	2014 Shares	Consolidated 2013 Shares	2014 \$	2013 \$
Ordinary shares - fully paid	160,641,830	159,951,993	30,133,461	30,116,961

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2012	132,357,710		24,958,697
Share placement	12 November 2012	13,427,617	\$0.250	3,356,904
Rights issue	12 June 2013	14,166,666	\$0.150	2,125,000
Share issue costs		-	\$0.000	(323,640)
Balance	30 June 2013	159,951,993		30,116,961
Performance rights exercised	13 August 2013	565,000	\$0.000	-
Share issue for services rendered	13 August 2013	124,837	\$0.130	16,500
Balance	30 June 2014	160,641,830		30,133,461

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Rights Issue

On 12 June 2013 Metallica Minerals Limited (MLM) issued 14,166,666 ordinary shares and 14,166,666 attaching options pursuant to a partly underwritten renounceable rights offer. In terms of the offer, shareholders were invited to subscribe for 1 new MLM share and 1 attaching option for every 4 MLM shares held, for an aggregate issue price of 15 cents. The attaching options were issued for no consideration, have an exercise price of 25 cents and expire on 30 September 2014.

Share placement

On 12 November 2012, Metallica Minerals Limited issued 13,427,617 shares at 25 cents per share in terms of a private placement. The proceeds from the placement were used to fund projects and working capital.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Note 21. Equity - issued capital (continued)

The capital structure of the consolidated entity consists of equity attributable to equity holders of the parent entity comprising of issued capital, reserves and accumulated losses as disclosed in the statement of changes in equity. In common with many other exploration companies, the parent raises finance for the consolidated entity's exploration and appraisal activities in discrete tranches.

Management effectively manages the consolidated entity's capital by assessing the consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

There are no externally imposed capital requirements.

The capital risk management policy remains unchanged from the 2013 Annual Report.

The consolidated entity monitors capital on the basis of its working capital position (i.e. liquidity risk). The net working capital of the consolidated entity at 30 June 2014 was \$1,289,548 (2013: \$5,556,010).

Note 22. Equity - reserves

	Consolidated	
	2014	2013
	\$	\$
Share-based payments reserve	<u>7,877,893</u>	<u>7,814,113</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Share-based payments reserve \$	Total \$
Consolidated		
Balance at 1 July 2012	7,767,656	7,767,656
Share based payments	46,457	46,457
Balance at 30 June 2013	7,814,113	7,814,113
Share based payments	63,780	63,780
Balance at 30 June 2014	<u>7,877,893</u>	<u>7,877,893</u>

Note 23. Equity - accumulated losses

	Consolidated	
	2014	2013
	\$	\$
Retained profits/(accumulated losses) at the beginning of the financial year	(6,555,865)	15,560,805
Loss after income tax benefit for the year	<u>(15,333,124)</u>	<u>(22,116,670)</u>
Accumulated losses at the end of the financial year	<u>(21,888,989)</u>	<u>(6,555,865)</u>

Note 24. Equity - dividends

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Franking credits

	Consolidated	
	2014	2013
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>583,794</u>	<u>583,794</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 25. Financial instruments

Financial risk management objectives

Risk management is carried out under policies set by the board of directors. The board provides principles for overall risk management, as well as policies covering specific areas.

The board monitors and manages the financial risk relating to the operations of the consolidated entity. The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The overall risk management program focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on the financial performance of the consolidated entity.

Market risk

Foreign currency risk

The consolidated entity does not have any significant exposure to foreign currency risk.

Price risk

The consolidated entity is exposed to equities securities price risk. This arises from investments held by the consolidated entity and classified in the statement of financial position as available-for-sale financial assets. The majority of the consolidated entity's equity investments were publicly traded on the Australian Securities Exchange (ASX). All publicly traded securities that are classified as available-for-sale financial assets were sold during the current financial year. The consolidated entity did not actively trade these investments and did not hedge its exposure to equity price risk. The price risk for the unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity.

Consolidated - 2013	% change	Average price increase		% change	Average price decrease	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Listed equity securities*	10%	<u>-</u>	<u>180,000</u>	10%	<u>-</u>	<u>180,000</u>

*Profit would have been unaffected as the equity instruments are classified as available-for-sale.

Interest rate risk

The consolidated entity's main interest rate risk arises from cash and cash equivalents and held to maturity investments.

Note 25. Financial instruments (continued)

	2014		2013	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Consolidated				
Cash and cash equivalents	2.2%	986,951	3.58%	2,297,319
Held to maturity investments	2.8%	244,190	4.26%	729,440
Net exposure to cash flow interest rate risk		<u>1,231,141</u>		<u>3,026,759</u>

At 30 June 2014, if interest rates had increased/decreased by 25 basis points (bps) from the year end rates with all other variables held constant, post-tax loss for the year would have been \$3,078 lower/higher (2013 changes of 25 bps: \$7,567 lower/higher), mainly as a result of higher/lower interest income from cash and cash equivalents and held to maturity investments.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2014						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	0%	561,708	-	-	-	561,708
Other payables	0%	3,859	-	-	-	3,859
Total non-derivatives		<u>565,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>565,567</u>

Note 25. Financial instruments (continued)

Consolidated - 2013	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	0%	553,989	-	-	-	553,989
Other payables	0%	47,365	-	-	-	47,365
Total non-derivatives		601,354	-	-	-	601,354

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 26. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2013	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Available for sale financial assets - listed equity securities	1,797,172	-	-	1,797,172
Available for sale financial assets - unlisted equity securities	-	-	684	684
Investments accounted for using the equity method (non-recurring fair value measurement)	3,214,699	-	-	3,214,699
Total assets	5,011,871	-	684	5,012,555

There were no transfers between levels for recurring fair value measurements during the financial year.

The investments accounted for using the equity method are subject to non-recurring fair value measurements. Equity accounted investments are recognised at market values where the carrying value of the investment after equity accounting is in excess of the market value. At 30 June 2014 the carrying value of the investment after equity accounting was less than the market value. The market value of the investment is disclosed in note 34. At 30 June 2013 the carrying value of the investment after equity accounting was in excess of the market value.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 3

The fair value has been based on the underlying net assets of the investments.

Note 27. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2014	2013
	\$	\$
Short-term employee benefits	672,605	923,993
Post-employment benefits	55,356	59,258
Long-term benefits	34,043	14,926
Termination benefits	25,171	-
Share-based payments	50,130	9,783
	<u>837,305</u>	<u>1,007,960</u>

Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd , the auditor of the company:

	Consolidated	
	2014	2013
	\$	\$
<i>Audit services - BDO Audit Pty Ltd</i>		
Audit or review of the financial statements	<u>52,685</u>	<u>68,348</u>
<i>Other services - BDO Audit Pty Ltd</i>		
Tax compliance services	<u>39,829</u>	<u>130,218</u>
	<u>92,514</u>	<u>198,566</u>

Note 29. Contingent liabilities

The consolidated entity does not believe it has any contingent liability arising from any possible Native Title or other claims. The consolidated entity does not believe it has any contingent assets.

Royalty Agreements

On condition of NORNICO Pty Limited (formerly known as QLD Gold Pty Limited) acquiring the Bell Creek Mining Leases, and the Minnamoolka and Kokomo tenements the company entered into royalty agreements with the previous owners of these tenements. Metallica has also entered into a royalty deed with the Dostal Superannuation Fund with respect to the Star River Limestone ML, as a condition of discharging a \$100,000 loan owed to the fund (this loan was converted to 1 million fully paid ordinary Metallica shares in April 2001).

The royalty agreements between Metallica Minerals Limited and third parties are summarised below.

Note 29. Contingent liabilities (continued)

Tenement/Company/Terms of the Royalty Agreement

ML 20549 - AO Australia Pty Limited

\$1.00/t for the first 5 Mt of ore produced and \$2.00/t for production of ore in excess of 5 Mt.

ML 10342 - Whim Creek Consolidated NL

\$50,000 per year upon granting of an ML, reduced by a royalty payable to WCC of \$1.00/ per dry tonne for production to 1 Mt of ore, \$1.50 per dry tonne from 1 – 3 Mt of ore and \$2.00/ dry tonne for production > 3 Mt of ore.

ML 10366 - Renison & Goldfields

\$1.00/t for the first 500,000t of ore produced and \$1.50/t for production in excess of 500,000t.of ore.

ML 10276 - Dostal Superannuation Fund

\$0.20 /t of Limestone produced from the Star River Limestone ML 10276

Indigenous Land Use Agreement (ILUA)

Metallica has negotiated an Indigenous Land Use Agreement (ILUA) with the Gugu Badhun People as the Traditional Landowners in the southern portion of the NORNICO project area. The ILUA was signed in Townsville on the 24th February 2005 and covers all of Metallica's southern NORNICO tenements from Broken River in the south to the Burdekin River in the North. The ILUA (QI2005/002) was approved by the National Native Title Tribunal (NNTT) on the 24th of August 2005 and is valid for 20 years.

Under the terms of the agreement, Metallica is required to pay for and facilitate a liaison committee which has to meet every 6 months probably in Townsville. Metallica also has to pay a fixed daily amount to members of the Cultural Heritage Survey and Monitoring team, and pay an annual rental fee per exploration tenement for each Exploration Permit for Minerals (EPM) held by Metallica which fall within the area covered by the ILUA.

The tenements which currently fall within ILUA QI2005/002 are listed below:

EPM 14518 – Mt Garnet South #2 (portion only)

EPM 10699 – Kokomo

EPM13873 – Six Mile

EPM 14070 – Greenvale North

EPM 14181 – Lucky Downs

EPM 14066 – Greenvale South

EPM 14381 – Greenvale South #2

Mining lease

A subsidiary, Oresome Australia Pty Limited, has entered into a deed with the Ngan Aak-Kunch Aboriginal Corporation regarding the grant of a mining lease. Oresome Australia Pty Limited has lodged an application for the grant of a mining lease which is being treated a a Future Act under the Native Title Act 1993 (the NTA). The deed sets out the agreement about the consent to the Future Act under the NTA.

Note 30. Commitments

	Consolidated	
	2014	2013
	\$	\$
<i>Commitments for maintaining exploration tenements payable</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	561,000	851,129
One to five years	906,000	3,404,516
	<u>1,467,000</u>	<u>4,255,645</u>
<i>Tenement rentals</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	264,579	520,605
One to five years	1,058,316	2,082,419
	<u>1,322,895</u>	<u>2,603,024</u>
<i>Operating lease commitments payable</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	175,605	264,412
One to five years	74,715	272,295
	<u>250,320</u>	<u>536,707</u>

Operating lease commitments includes contracted amounts for offices and equipment under non-cancellable operating leases expiring within 1 to 2 years with an option to extend. The office lease has a consumer price index escalation clause. On renewal, the terms of the leases are renegotiated. Excess office space is sub-let to related parties also under non-cancellable operating leases.

Note 31. Related party transactions

Parent entity

Metallica Minerals Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 33.

Associates

Interests in associates are set out in note 34.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2014	2013
	\$	\$
Other transactions:		
Expenses recovered from associates	84,500	125,950
Subscription for new ordinary shares by key management personnel as a result of the vesting of performance rights	24,300	-
Shares issued to key management personnel for services rendered	16,500	-

Note 31. Related party transactions (continued)

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 32. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of comprehensive income

	Parent	
	2014	2013
	\$	\$
Loss after income tax	(12,535,204)	(39,929,324)
Total comprehensive income	(12,535,204)	(39,929,324)

Statement of financial position

	Parent	
	2014	2013
	\$	\$
Total current assets	1,790,021	6,142,818
Total assets	3,145,573	15,404,559
Total current liabilities	250,225	490,134
Total liabilities	325,624	143,166
Equity		
Issued capital	30,133,461	30,116,961
Share-based payments reserve	7,877,893	7,814,113
Accumulated losses	(35,191,405)	(22,669,681)
Total equity	2,819,949	15,261,393

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2014 and 30 June 2013.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2014 and 30 June 2013.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2014 and 30 June 2013.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 33. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2014 %	2013 %
Greenvale Operations Pty Limited	Australia	100.00%	100.00%
Scandium Pty Limited	Australia	100.00%	100.00%
NORNICO Pty Limited	Australia	100.00%	100.00%
Oresome Australia Pty Limited	Australia	100.00%	100.00%
Phoenix Lime Pty Limited	Australia	100.00%	100.00%
Lucky Break Operations Pty Limited	Australia	100.00%	100.00%

Unless otherwise stated, the subsidiaries have share capital consisting solely of ordinary shares that are held directly by the consolidated entity, and the proportion of ownership interests is equal to the proportion of voting rights held by the consolidated entity. The country of incorporation is also their principal place of business.

Significant restrictions

There are no significant restrictions on the ability of the consolidated entity to access or use the assets and settle the liabilities of the consolidated entity.

Note 34. Interests in associates

Interests in associates are accounted for using the equity method of accounting. The consolidated entity had only one associate at 30 June 2014 and 30 June 2013 as set out below. The associate has share capital consisting solely of ordinary shares, which are held directly by the consolidated entity. The country of incorporation is its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. The consolidated entity had two additional associates at 30 June 2012: Orion Metals Limited and Planet Metals Limited. During the 2013 financial year, the consolidated entity sold its entire shareholding in Orion Metals Limited and Planet Metals Limited for \$2,168,430 and \$450,788 respectively.

Name	Principal place of business / Country of incorporation	Ownership interest	
		2014 %	2013 %
MetroCoal Limited	Exploration & evaluation	30.78%	30.78%

MetroCoal Limited and its controlled entities are engaged in coal and bauxite exploration. It is a strategic investment that diversifies the asset base and risk profile of Metallica Minerals Limited.

Metallica Minerals Limited
Notes to the financial statements
30 June 2014

Note 34. Interests in associates (continued)

Summarised financial information

	2014 \$	2013 \$
<i>Summarised statement of financial position</i>		
Current assets	7,609,263	11,471,602
Non-current assets	<u>10,009,840</u>	<u>23,846,698</u>
Total assets	<u>17,619,103</u>	<u>35,318,300</u>
Current liabilities	<u>389,655</u>	<u>1,120,534</u>
Total liabilities	<u>389,655</u>	<u>1,120,534</u>
Net assets	<u><u>17,229,448</u></u>	<u><u>34,197,766</u></u>
<i>Summarised statement of comprehensive income</i>		
Revenue and other income	712,711	1,052,206
Expenses	<u>(19,028,235)</u>	<u>(3,363,652)</u>
Loss before income tax	(18,315,524)	(2,311,446)
Income tax benefit	<u>633,899</u>	<u>1,576,360</u>
Loss after income tax	(17,681,625)	(735,086)
Other comprehensive income	-	-
Total comprehensive income	<u><u>(17,681,625)</u></u>	<u><u>(735,086)</u></u>
<i>Reconciliation of the consolidated entity's carrying amount</i>		
Opening carrying amount	3,214,699	14,787,612
Share of loss after income tax	(3,214,699)	(226,258)
Impairment of MetroCoal Limited	<u>-</u>	<u>(11,346,655)</u>
Closing carrying amount	<u><u>-</u></u>	<u><u>3,214,699</u></u>
Quoted fair value	<u><u>1,928,819</u></u>	<u><u>3,214,699</u></u>

During the financial years ended 30 June 2014 and 30 June 2013 the consolidated entity did not receive dividends from MetroCoal Limited.

Contingent liabilities

The consolidated entity did not have any contingent liabilities at 30 June 2014 and 30 June 2013 relating to its interest in MetroCoal Limited, including contingent liabilities incurred jointly with other investors with significant influence over the associate.

Commitments

The consolidated entity did not have any commitments relating to MetroCoal Limited at 30 June 2014 and 30 June 2013.

Note 35. Events after the reporting period

On 11 July 2014 the company announced the commencement of a detailed review of its extensive Cape York tenement portfolio with a view to ascertaining, in addition to its highly prospective Heavy Mineral Sands (HMS) project, the portfolio's potential to host significant bauxite deposits. Metallica, through its 100%-owned subsidiary, Oresome Australia Pty Ltd (Oresome), holds 100% of the Cape York Heavy Mineral Sands (HMS) and Bauxite Project. The review has successfully identified 15 priority highly prospective bauxite zones within Oresome's tenement package near Urquhart and Vrilya Points. The combined areas have an estimated Exploration Target potential of 47 to 138 million tonnes Bauxite. The potential quantity and grade of the bauxite deposits are conceptual in nature. There is insufficient information at this time to define a mineral resource and there is no certainty that further exploration will result in the determination of a mineral resource in these areas.

On 18 August 2014 the company announced that it had successfully completed a book build to raise A\$500,000 for working capital. The placement comprised issuing 6.25 million ordinary shares at 8 cents per share, raising \$500,000 (before costs).

On 1 August 2014 the company announced it had executed a joint venture (JV) agreement with a private Chinese investor. The JV is between Oresome Australia Pty Ltd (a wholly owned subsidiary of Metallica) and Ozore Resources Pty Ltd (Ozore) (wholly owned by the Chinese investor). Under the JV agreement, Ozore will provide a total of A\$7.5 million to develop the company's Urquhart Point Project, and explore for other Heavy Mineral Sands and Bauxite deposits on its tenements on the western side of Queensland's Cape York Peninsula. Funds to be provided under the JV agreement will fully finance the construction and commissioning by mid next year of Metallica's proposed Urquhart Point Mineral Sands Mine near Weipa - based on the A\$6.5 million CAPEX and working capital requirements for the proposed mine outlined in the Project Feasibility Study (ASX release dated 24 June 2014). On 27 August 2014 the company announced that Foreign Investment Review Board (FIRB) approval had been received for the joint venture. The FIRB approval was the final condition precedent to the JV agreement. The joint venture received a A\$500,000 deposit on 1 August 2014 and A\$2.7 million on 8 September 2014. The next instalment of funds of A\$1.8 million is now to be received on or before 30 September 2014, at which point the Chinese investor will hold a 33.33% interest. The balance of A\$2.5 million will be paid when called by the joint venture manager at a time when the project's development progresses further toward production, and at that point the JV would be a 50/50 joint venture.

On 15 September 2014 the company announced that it had entered into a royalty agreement with a privately owned company to allow the mining and extraction of nickel ore from the company's Dingo Dam Mining Lease in Queensland. The lease is part of the company's non-core Lucky Break Nickel Project.

On 29 September 2014 the company announced that it had disposed of its entire shareholding in MetroCoal Limited for proceeds of approximately \$2.06 million.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 36. Reconciliation of loss after income tax to net cash from/(used in) operating activities

	Consolidated	
	2014	2013
	\$	\$
Loss after income tax benefit for the year	(15,333,124)	(22,116,670)
Adjustments for:		
Depreciation and amortisation	52,917	99,741
Share-based payments	80,280	46,457
Share of (profits)/losses - associates	3,214,699	226,258
Impairment of financial assets	917,908	11,998,801
Impairment of exploration and evaluation expenditure	10,980,269	19,035,754
Net (gain)/loss on sale of investments	696,151	(2,418,746)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	89,492	111,448
Decrease/(increase) in inventories	(93)	21,487
Decrease/(increase) in income tax refund due	2,530,838	(457,027)
Decrease in trade and other payables	(25,286)	(1,088,010)
Decrease in deferred tax liabilities	(2,245,512)	(7,950,310)
Increase/(decrease) in employee benefits	(84,899)	50,487
Net cash from/(used in) operating activities	<u>873,640</u>	<u>(2,440,330)</u>

Note 37. Non-cash investing and financing activities

	Consolidated	
	2014	2013
	\$	\$
Shares issued for services rendered	16,500	-
Performance rights issued to employees	-	9,783
Options issued to a third party for services rendered in terms of a consultancy agreement	-	36,674
	<u>16,500</u>	<u>46,457</u>

Note 38. Earnings per share

	Consolidated	
	2014	2013
	\$	\$
Loss after income tax attributable to the owners of Metallica Minerals Limited	<u>(15,333,124)</u>	<u>(22,116,670)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>160,560,561</u>	<u>141,593,179</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>160,560,561</u>	<u>141,593,179</u>
	Cents	Cents
Basic earnings per share	(9.55)	(15.62)
Diluted earnings per share	(9.55)	(15.62)

Options are considered to be potential ordinary shares but were anti-dilutive in nature and therefore the diluted loss per share is the same as the basic loss per share.

Note 39. Share-based payments

Employee Share Option Plan (ESOP)

At the 2011 annual general meeting, shareholder approval was obtained for potential future issues of securities under the ESOP as an exception to Listing Rule 7.1. The ESOP was established to assist in the retention and motivation of employees providing them with the opportunity to acquire shares in the company. The persons who are eligible to participate in the ESOP are employees of the company or their nominee who have been selected by the Board to participate in the ESOP. The options will be exercisable at a price to be determined in the absolute discretion of the Board.

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

On 20 December 2013, 500,000 options were granted to John Haley (Chief Financial Officer and Company Secretary). The options vested on grant date, are exercisable at 10 cents and expire on 31 December 2016. The fair value of the options granted was \$9,331.

Performance Rights Plan (PRP)

The establishment of the Performance Rights Plan (PRP) was approved by shareholders at the 2011 annual general meeting. The PRP is designed to:

- (a) align the interests of eligible employees with shareholders through the allocation of equity based incentives which are linked to the performance of the company;
- (b) attract, motivate and retain quality employees; and
- (c) preserve cash reserves.

The performance rights have a nil exercise price and the performance hurdles applicable to any performance period (including how they will be measured) is set out in the invitation to the eligible employees. On vesting, one performance right is exercisable into one share in the company.

There were no performance rights granted during the 2014 financial year.

Set out below are summaries of options granted under the plan:

2014

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
28/06/2011	28/06/2014	\$0.350	2,000,000	-	-	(2,000,000)	-
03/08/2011	03/08/2013	\$0.700	1,000,000	-	-	(1,000,000)	-
03/08/2011	03/08/2016	\$0.500	1,000,000	-	-	-	1,000,000
30/08/2011	30/08/2014	\$0.400	200,000	-	-	-	200,000
12/09/2011	12/09/2014	\$0.400	200,000	-	-	-	200,000
03/10/2011	03/10/2014	\$0.400	200,000	-	-	-	200,000
18/11/2011	18/11/2013	\$0.380	5,000,000	-	-	(5,000,000)	-
29/03/2012	02/04/2014	\$0.400	5,000,000	-	-	(5,000,000)	-
15/03/2013	31/03/2015	\$0.200	512,500	-	-	-	512,500
20/12/2013	31/12/2016	\$0.100	-	500,000	-	-	500,000
			15,112,500	500,000	-	(13,000,000)	2,612,500
Weighted average exercise price			\$0.410	\$0.100	\$0.000	\$0.390	\$0.420

Note 39. Share-based payments (continued)

2013

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
29/09/2007	28/12/2012	\$0.650	1,100,000	-	-	(1,100,000)	-
28/06/2011	28/06/2014	\$0.350	2,000,000	-	-	-	2,000,000
03/08/2011	03/08/2013	\$0.500	1,000,000	-	-	-	1,000,000
03/08/2011	03/08/2016	\$0.700	1,000,000	-	-	-	1,000,000
30/08/2011	30/08/2014	\$0.400	200,000	-	-	-	200,000
12/09/2011	12/09/2014	\$0.400	200,000	-	-	-	200,000
03/10/2011	03/10/2014	\$0.400	200,000	-	-	-	200,000
27/09/2011	31/08/2012	\$0.460	400,000	-	-	(400,000)	-
27/09/2011	28/02/2013	\$0.520	600,000	-	-	(600,000)	-
18/11/2011	18/11/2013	\$0.380	5,000,000	-	-	-	5,000,000
20/02/2012	20/02/2015	\$0.400	200,000	-	-	(200,000)	-
29/03/2012	02/04/2014	\$0.400	5,000,000	-	-	-	5,000,000
15/03/2013	31/03/2015	\$0.200	-	512,500	-	-	512,500
			16,900,000	512,500	-	(2,300,000)	15,112,500

Weighted average exercise price	\$0.430	\$0.200	\$0.000	\$0.560	\$0.410
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The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.48 years (2013: 1.81 years).

Set out below are summaries of performance rights granted under the performance rights plan:

2014

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
22/11/2012	31/07/2013	\$0.000	115,000	-	(115,000)	-	-
21/12/2012	21/12/2015	\$0.000	450,000	-	(450,000)	-	-
			565,000	-	(565,000)	-	-

2013

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
22/11/2012	31/07/2013	\$0.000	-	575,000	-	(460,000)	115,000
21/12/2012	21/12/2015	\$0.000	-	2,325,000	-	(1,875,000)	450,000
			-	2,900,000	-	(2,335,000)	565,000

Measurement of fair values

The fair value of options granted was measured using the Black-Scholes option pricing model.

Options granted

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
20/12/2013	31/12/2016	\$0.060	\$0.100	66.35%	-%	2.87%	\$0.019

Note 39. Share-based payments (continued)

Performance rights granted

The performance rights that were exercised during the 2014 financial year, were not subject to any performance conditions and vested at the discretion of the Board of Directors. These rights were valued at their intrinsic value at the vesting date.

The total expense arising from share-based payment transactions recognised during the period as part of employee benefits expense was \$63,781 (2013: \$9,783).

Metallica Minerals Limited
Directors' declaration
30 June 2014

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



D K Barwick
Chairman

29 September 2014
Brisbane

INDEPENDENT AUDITOR'S REPORT

To the members of Metallica Minerals Limited

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

- a) the financial report of Metallica Minerals Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 17 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

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

BDO Audit Pty Ltd

BDO



A J Whyte

Director

Brisbane, 29 September 2014

Metallica Minerals Limited
Shareholder information
30 June 2014

The shareholder information set out below was applicable as at 23 September 2014.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	39,996
1,001 to 5,000	1,746,585
5,001 to 10,000	3,190,823
10,001 to 100,000	28,618,725
100,001 and over	133,295,701
	<u>166,891,830</u>
Holding less than a marketable parcel	<u>759</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares % of total shares issued
Number held	
Jien Mining Pty Ltd	40,099,678 24.03
Victorian Ferries Pty Ltd	17,382,860 10.42
Golden Breed Pty Ltd	8,900,000 5.33
Bondline Limited	4,910,966 2.94
Codan Trustees - The Mount Cotton Account	2,500,000 1.50
Asden Investments Pty Limited - Asden P/L Staff S/F A/C	2,403,274 1.44
Minnelex Pty Ltd - Pyper Family A/C	2,294,434 1.37
China Xinfu Group Corporation Limited	1,964,386 1.18
Mr Andrew Langham Gillies & Mrs Karen Gillies - Andrew Gillies S/F A/C	1,700,000 1.02
Uob Kay Hian Private Limited - Clients A/C	1,498,537 0.90
Robert John Gillies	1,342,164 0.80
Althea And Richard Bond - Althea&Richard Bond S/F A/C	1,200,000 0.72
Corporate Property Services Pty Ltd - K W Share A/C	1,175,000 0.70
Bnp Paribas Noms Pty Ltd - Drp	1,145,000 0.69
Miss Judith Emily Ruwolt	1,111,911 0.67
Dr Paul Robert Messenger & Ms Mandaley Perkins - Messel Super Fund A/C	1,086,600 0.65
Carojon Pty Ltd - Imbruglia S/F A/C	1,000,000 0.60
Bond Street Custodians Limited - Idavid - D06155 A/C	1,000,000 0.60
Kimbriki Nominees Pty Ltd - Kimbriki Hamilton Sf A/C	1,000,000 0.60
Mbm Corporation Pty Ltd	1,000,000 0.60
	<u>94,714,810 56.76</u>

Unquoted equity securities

There are no unquoted equity securities.

Metallica Minerals Limited
Shareholder information
30 June 2014

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Jien Mining Pty Ltd	40,099,678	24.03
Victorian Ferries Pty Ltd	17,382,860	10.42
Golden Breed Pty Ltd	8,900,000	5.33

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.