Metallica Minerals Limited

ACN 076 696 092

Interim Financial Report - 31 December 2014

Metallica Minerals Limited
Corporate directory
31 December 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
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

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 half-year ended 31 December 2014.

Directors
The following persons were directors of Metallica Minerals Limited during the whole of the financial half-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)

Principal activities
During the financial half-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 and bauxite (Urquhart Point) and scandium-cobalt-nickel (SCONI) projects. There were no significant changes in the principal activities of the consolidated entity.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $2,391,387 (31 December 2013: $3,285,468).

The 31 December 2014 consolidated loss includes the following:
(a) A gain of $2,057,407 on the sale of the consolidated entity's investment in MetroCoal Limited.

(b) A gain of $1,559,039 resulting from the formation of the Oresome joint operation. The gain resulted from the contribution by the consolidated entity of 33.33% of its interest in heavy mineral sands and bauxite tenements to the joint operation.

(c) Impairment of the mining assets in the Oresome joint operation of $2,165,809 and impairment of the SCONI exploration and evaluation assets of $2,645,824. The impairment of these assets was the result of a combination of factors including volatility in commodity prices.

During the half-year ended 31 December 2014 the consolidated entity:

(a) 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 Minerals Ltd) and Ozore Resources Pty Ltd (Ozore) (wholly owned by the Chinese investor). Under the JV agreement, Ozore will provide a total of A$7,500,000 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 of Metallica's proposed Urquhart Point Mineral Sands Mine near Weipa - based on the A$6,500,000 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. Ozore has paid A$5,000,000 to the joint venture resulting in it earning a 33.33% interest in the joint venture. The balance of A$2,500,000 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. The plant is currently under construction and is expected to be commissioned late in May 2015 with HMS production commencing in July 2015.

(b) Completed a drilling program on the T-16 Mineral Sand tenement, and commenced 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 Minerals Ltd, through its 100%-owned subsidiary, Oresome Australia Pty Ltd (Oresome), now currently holds 66.67% of the Cape York Heavy Mineral Sands (HMS) and Bauxite Project. The review has successfully identified 15 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. Drill results released subsequent to 31 December 2014, have confirmed high grade bauxite adjacent to Metallica's Urquhart Point HMS development on Cape York.

(c) Successfully completed a book build for working capital, leading to the successful placement of 6.25 million ordinary shares at 8 cents per share, raising $500,000 (before costs).

(d) 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. The royalty agreement did not proceed due to the non-satisfaction of the conditions precedent. However, subsequent to 31 December 2014, a new royalty agreement was entered into and the company received its first royalty payment of $250,000 in January 2015.

(e) Sold its entire shareholding of 64.3 million ordinary shares in MetroCoal Limited for $2,057,407.

(f) Received $579,280 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.

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

Matters subsequent to the end of the financial half-year
On 12 January 2015 Metallica Minerals Limited announced that it had entered into a royalty agreement with a privately owned company to allow the mining and extraction of nickel laterite ore from the Metallica's Dingo Dam Mining Lease in Queensland. The lease is part of Metallica's non-core Lucky Break Project. The first royalty payment of $250,000 has been received.

On 21 January 2015 and 3 February 2015, Metallica Minerals Limited announced that it had identified a significant area of high grade pisolitic bauxite adjacent to its Urquhart Point Heavy Mineral Sands development on Cape York.

No other matter or circumstance has arisen since 31 December 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.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

David K Barwick
Chairman

12 March 2015
Brisbane

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DECLARATION OF INDEPENDENCE BY A J WHYTE TO THE DIRECTORS OF METALLICA MINERALS LIMITED

As lead auditor of Metallica Minerals Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

A J Whyte

Director

BDO Audit Pty Ltd

Brisbane, 12 March 2015

Contents

General information

The financial statements cover Metallica Minerals Limited as a consolidated entity consisting of Metallica Minerals Limited and its subsidiaries during the half-year. 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 12 March 2015. The directors have the power to amend and reissue the financial statements.

Metallica Minerals Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2014

	Note	Consolidated 31 Dec 2014 $	Consolidated 31 Dec 2013 $
Revenue		302,034	107,430
Share of losses of associates accounted for using the equity method		-	(604,692)
Other income	3	3,813,838	62,174
Expenses			
Advertising and promotional costs		(27,165)	(13,204)
Raw materials and consumables used		(97,968)	(59,675)
Rental expenses		(122,076)	(82,251)
Employee benefits expense		(460,478)	(971,340)
Exploration and evaluation expenditure		(356,317)	(533,816)
Depreciation and amortisation expense		(24,025)	(52,660)
Impairment of mining assets	7	(2,165,809)	-
Impairment of financial assets	4	-	(1,919,882)
Listing fees and share register expenses		(41,585)	(54,387)
Exploration and evaluation expenditure impaired	6	(2,645,824)	-
Legal fees		(69,379)	(103,749)
Airfares and conferences		(35,363)	(6,827)
Professional fees		(60,810)	(104,460)
Other expenses		(397,141)	(278,943)
Finance costs		(3,319)	(842)
Loss before income tax benefit		(2,391,387)	(4,617,124)
Income tax benefit		-	1,331,656
Loss after income tax expense for the half-year attributable to the owners of Metallica Minerals Limited		(2,391,387)	(3,285,468)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Metallica Minerals Limited		(2,391,387)	(3,285,468)
		Cents	**Cents**
Basic earnings per share		(1.45)	(2.05)
Diluted earnings per share		(1.45)	(2.05)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Metallica Minerals Limited
Statement of financial position
As at 31 December 2014

	Note	Consolidated 31 Dec 2014 $	Consolidated 30 June 2014 $
Assets			
Current assets			
Cash and cash equivalents		3,504,606	988,033
Trade and other receivables		207,522	90,695
Inventories		160,690	91,437
Current tax receivable		-	579,280
Held to maturity investments		247,984	244,190
Other current assets		2,150	-
Total current assets		4,122,952	1,993,635
Non-current assets			
Property, plant and equipment	5	1,609,461	135,340
Exploration and evaluation assets	6	7,067,943	14,586,098
Mining development	7	1,686,341	-
Other non-current assets		228,949	215,264
Total non-current assets		10,592,694	14,936,702
Total assets		14,715,646	16,930,337
Liabilities			
Current liabilities			
Trade and other payables		296,411	576,068
Employee benefits		65,091	128,019
Total current liabilities		361,502	704,087
Non-current liabilities			
Employee benefits		127,581	103,885
Total non-current liabilities		127,581	103,885
Total liabilities		489,083	807,972
Net assets		14,226,563	16,122,365
Equity			
Issued capital	8	30,603,461	30,133,461
Reserves		7,903,478	7,877,893
Accumulated losses		(24,280,376)	(21,888,989)
Total equity		14,226,563	16,122,365

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 half-year ended 31 December 2014

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 half-year	-	-	(3,285,468)	(3,285,468)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(3,285,468)	(3,285,468)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 8)	16,500	-	-	16,500
Share-based payments	-	9,331	-	9,331
Balance at 31 December 2013	30,133,461	7,823,444	(9,841,333)	28,115,572

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2014	30,133,461	7,877,893	(21,888,989)	16,122,365
Loss after income tax benefit for the half-year	-	-	(2,391,387)	(2,391,387)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(2,391,387)	(2,391,387)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 8)	470,000	-	-	470,000
Share-based payments	-	25,585	-	25,585
Balance at 31 December 2014	30,603,461	7,903,478	(24,280,376)	14,226,563

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 half-year ended 31 December 2014

	Note	Consolidated 31 Dec 2014 $	31 Dec 2013 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		341,990	66,946
Payments to suppliers and employees (inclusive of GST)		(2,008,267)	(2,441,813)
		(1,666,277)	(2,374,867)
Interest received		40,609	101,801
Interest and other finance costs paid		(3,319)	(842)
Research and development tax offset received		579,280	3,056,636
Net cash from/(used in) operating activities		(1,049,707)	782,728
Cash flows from investing activities			
Net cash inflow on formation of joint operation	10	3,334,699	-
Payments for property, plant and equipment	5	(1,498,146)	(11,813)
Payments for exploration and evaluation assets	6	(780,201)	(1,003,914)
Payments for security deposits		(13,685)	(38,306)
Proceeds from sale of shares in MetroCoal Ltd	3	2,057,407	-
(Payments for)/proceeds from term deposit		(3,794)	489,782
Net cash from/(used in) investing activities		3,096,280	(564,251)
Cash flows from financing activities			
Proceeds from issue of shares	8	500,000	-
Share issue transaction costs		(30,000)	-
Net cash from financing activities		470,000	-
Net increase in cash and cash equivalents		2,516,573	218,477
Cash and cash equivalents at the beginning of the financial half-year		988,033	2,297,319
Cash and cash equivalents at the end of the financial half-year		3,504,606	2,515,796

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Joint arrangements

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Metallica Minerals Limited has only one joint operation at 31 December 2014 and no joint ventures.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Metallica Minerals Limited recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in note 10.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Mining development

Once an undeveloped mining project has been established as commercially viable and approval to mine has been given, expenditure other than on land, buildings, plant and equipment is capitalised under "Mining development" together with any amount transferred from "Exploration and evaluation".

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

Restoration costs expected to be incurred are provided for as part of development phase that give rise to the need for restoration.

New, revised or amending Accounting Standards and Interpretations adopted

New and revised standards have been issued by the AASB and are effective for the half year, however there are no material changes to the policies that affect measurement of the results or financial position of the entity.

Note 1. Significant accounting policies (continued)

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 and to pay its debts as and when they fall due is dependent on the ability of the Consolidated Entity to the successfully raise additional capital and/or successful exploration and subsequent exploitation of areas of interest through sale or development.

Should the Consolidated Entity not be able to raise capital or dispose of non-core assets 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 Consolidated Entity's ability to continue as a going concern and realise its assets and settle its liabilities and commitments in the normal course of business and 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 Consolidated Entity not be able to continue as a going concern.

Note 2. 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 significant 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 3. Other income

	Consolidated	
	31 Dec 2014 **$**	**31 Dec 2013** **$**
Gain on formation of joint operation*	1,559,039	-
Net gain on disposal of investment in MetroCoal Limited**	2,057,407	-
Government grants	173,069	-
Other income	24,323	62,174
Other income	3,813,838	62,174

*The gain on formation of the joint operation (refer note 10) resulted from the contribution by the consolidated entity of 33.33% of its heavy mineral sands and bauxite tenements to the joint operation.

**Metallica Minerals Ltd sold its entire shareholding of 64.3 million ordinary shares in MetroCoal Limited for $2,057,407.

Note 4. Expenses

	Consolidated	
	31 Dec 2014 $	31 Dec 2013 $
Loss before income tax includes the following specific expenses:		
Impairment of financial assets		
Impairment of investment in associate - MetroCoal Limited	-	1,002,658
Impairment of listed investment - Cape Alumina Limited	-	917,224
Total impairment of financial assets	-	1,919,882

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.

Note 5. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 2014 $	30 June 2014 $
Plant and equipment - at cost	1,107,546	1,074,126
Less: Accumulated depreciation	(963,699)	(944,248)
	143,847	129,878
Motor vehicles - at cost	39,910	21,727
Less: Accumulated depreciation	(19,821)	(16,265)
	20,089	5,462
Capital works in progress	1,445,525	-
	1,609,461	135,340

The capital works in progress represents the consolidated entity's share of the plant and equipment in the Oresome joint operation (refer note 10).

Note 6. Non-current assets - exploration and evaluation assets

	Consolidated	
	31 Dec 2014 $	30 June 2014 $
Exploration and evaluation - at cost	7,067,943	14,586,098

Note 6. Non-current assets - exploration and evaluation assets (continued)

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

Consolidated	Exploration and evaluation $	Total $
Balance at 1 July 2014	14,586,098	14,586,098
Additions	455,183	455,183
Impairment of assets	(2,645,824)	(2,645,824)
Assets contributed to the joint operation	(5,327,514)	(5,327,514)
Balance at 31 December 2014	7,067,943	7,067,943

During the half year the consolidated entity contributed its heavy mineral sands and bauxite tenements to a joint operation with Ozore Resources Pty Ltd (refer note 10). The total carrying value of the tenements contributed was $5,327,514.

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 31 December 2014. This review took into 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.

Notwithstanding these considerations directors continue to be 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, the directors have formed a view as to the appropriate carrying value, resulting in a provision for impairment of $2,645,824.

Note 7. Non-current assets - mining development

	Consolidated	
	31 Dec 2014 $	**30 June 2014 $**
Mining development - at cost	3,852,150	-
Less: Impairment	(2,165,809)	-
	1,686,341	-

Note 7. Non-current assets - mining development (continued)

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

Consolidated	Mining development at cost $	Total $
Balance at 1 July 2014	-	-
Joint operation mining development assets	3,852,150	3,852,150
Impairment of assets	(2,165,809)	(2,165,809)
Balance at 31 December 2014	1,686,341	1,686,341

Mining development represents the consolidated entity's share of the mining development assets in the Oresome joint operation (refer note 10).

Impairment of the mining development assets, which comprise of a single cash generating unit (CGU), is recognised when the carrying amount exceeds the recoverable amount. The recoverable amount of the mining development assets has been estimated using the fair value less costs of disposal (Fair Value) basis. The costs of disposal have been estimated by management based on prevailing market conditions.

Fair Value is estimated based on discounted cash flows using market based commodity price and exchange rate assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, based on the life of the joint operation.

The Fair Value estimates are considered to be level 3 fair value measurements (as defined by accounting standards) as they are derived from valuation techniques that include inputs that are not based on observable market data. Management considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

Significant judgements and assumptions are required in making estimates of Fair Value. It should be noted that the valuation of the mining development assets is subject to variability in key assumptions including, but not limited to, commodity prices, currency exchange rates, discount rates, production profiles and operating and capital costs. An adverse change in one or more of the assumptions used to determine recoverable amount could result in a reduction in the Fair Value of the mining development assets.

The calculation of Fair Value for the mining development assets is most sensitive to variability in commodity prices and exchange rates.

The fall in commodity prices was the main reason for the impairment of the mining development assets at 31 December 2014.

Note 8. Equity - issued capital

	Consolidated			
	31 Dec 2014 Shares	**30 June 2014 Shares**	**31 Dec 2014 $**	**30 June 2014 $**
Ordinary shares - fully paid	166,891,830	160,641,830	30,603,461	30,133,461

On 18 August 2014 the company announced that it had successfully completed a book build to raise $500,000 for working capital. The placement comprised issuing 6.25 million ordinary shares at 8 cents per share, raising $470,000 after transaction costs of $30,000.

Note 9. Contingent liabilities and contingent assets

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period except as follows:

The company is seeking a private ruling from the Australian Tax Office in relation to GST potentially applicable to $5,000,000 contributed by Ozore to the Oresome Joint Venture. If the private ruling is not favourable, the Group will have a GST liability of $500,000 that is recoverable from Ozore under the Oresome Joint Venture agreement. The potential GST payable of $500,000 and corresponding receivable from Ozore has not been recognised in the financial statements as it is yet to be confirmed whether this contribution is subject to GST.

Note 10. Interests in joint operations

The consolidated entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications. Information relating to joint operations that are material to the consolidated entity are set out below:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**31 Dec 2014 %**	**30 June 2014 %**
Oresome Joint Venture	Australia	66.67%	-%

On 1 August 2014 Metallica Minerals Limited 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 Minerals Ltd) and Ozore Resources Pty Ltd (Ozore) (wholly owned by the Chinese investor). Under the JV agreement, Ozore will provide a total of A$7,500,000 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 of Metallica's proposed Urquhart Point Mineral Sands Mine near Weipa - based on the A$6,500,000 CAPEX and working capital requirements for the proposed mine outlined in the Project Feasibility Study (ASX release dated 24 June 2014). Ozore has paid A$5,000,000 to the joint venture resulting in it earning a 33.33% interest in the joint venture. The balance of A$2,500,000 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. The plant is currently under construction and is expected to be commissioned late in June 2015 with HMS production commencing in July 2015.

The Oresome joint arrangement is classified as a joint operation under Australian Accounting Standards. Metallica Minerals Limited recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Consequently, Metallica has recognised a cash inflow of $3,334,699 in the statement of cash flows, which represents Metallica's share of the Oresome JV cash and cash equivalents on formation of the joint operation. As stated in the preceding paragraph, these cash resources are being used to fund the construction and commissioning of the plant.

At 31 December 2014 the joint operation had capital expenditure contracted for but not recognised as a liability of $1,366,808. This expenditure will be funded by Ozore's contribution to the joint operation. $1,132,000 of this liability was paid in March 2015.

Note 11. Events after the reporting period

On 12 January 2015 Metallica Minerals Limited announced that it had entered into a royalty agreement with a privately owned company to allow the mining and extraction of nickel laterite ore from the Metallica's Dingo Dam Mining Lease in Queensland. The lease is part of Metallica's non-core Lucky Break Project. The first royalty payment of $250,000 has been received.

On 21 January 2015 and 3 February 2015, Metallica Minerals Limited announced that it had identified a significant area of high grade pisolitic bauxite adjacent to its Urquhart Point Heavy Mineral Sands development on Cape York.

No other matter or circumstance has arisen since 31 December 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.

Metallica Minerals Limited
Directors' declaration
31 December 2014

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

David K Barwick
Chairman

12 March 2015
Brisbane

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INDEPENDENT AUDITOR'S REPORT

To the members of Metallica Minerals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Metallica Minerals Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

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

Independence

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

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year 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.

BDO Audit Pty Ltd

BDO

A J Whyte
Director

Brisbane, 12 March 2015