

Metallica Minerals Limited

ACN 076 696 092

Interim Financial Report - 31 December 2015

Metallica Minerals Limited
Corporate directory
31 December 2015

Directors	B J Casson - Non-executive Chairman A L Gillies - Non-executive Director Wu Shu - Non-executive Director S Zhang - Alternate Director for Wu Shu
Chief Executive Officer	S J Slesarewich
Company secretary	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

Metallica Minerals Limited
Directors' report
31 December 2015

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 2015.

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:

Barry J Casson

Andrew L Gillies (Managing Director until 13 July 2015 and Non-executive Director thereafter)

Wu Shu

Shu Zhang (alternate to Wu Shu)

Principal activities

During the financial half-year the principal activities of the consolidated entity consisted of mineral exploration, evaluation and progressing development of its bauxite and zircon-rutile heavy mineral sands (HMS) projects and construction of a HMS processing plant. 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 \$5,694,565 (31 December 2014: \$2,391,387).

The 31 December 2015 consolidated loss includes the following:

(a) Impairment of mining assets, and property, plant and equipment in the Oresome joint operation of \$381,571. Impairment of the SCONI exploration and evaluation assets of \$3,992,114. The impairment of these assets was the result of a combination of factors including volatility in commodity prices.

(b) A loss of \$217,461 on the sale of non-core Ootann limestone mining leases and the non-core Star Limestone Project.

During the half-year ended 31 December 2015 the consolidated entity:

(a) Completed an initial 2 hole drilling program at the Esmeralda Graphite Project and obtained assays for drill hole samples.

(b) The Oresome Joint Venture received the final \$1,000,000 due under the joint venture (JV) agreement between Oresome Australia Pty Ltd (a wholly owned subsidiary of Metallica Minerals Ltd) and Ozore Resources Pty Ltd. The JV is now a 50/50 joint venture.

(c) Executed an option agreement to sell two granted mining leases that form the Boyne Limestone Project for \$1 million to a private group on 16 November 2015. The consolidated entity received a \$100,000 deposit following execution of the agreement. The remaining \$900,000 is to be paid on completion. Completion is contingent on the purchaser exercising its option within the option period and certain conditions precedent which have now been satisfied. The deposit is only now refundable if the consolidated entity is in default.

(d) Sold four non-core mining leases covering the Ootann limestone tenements and associated quarrying equipment to a private group for a cash consideration of \$500,000.

(e) Sold its non-core Star Limestone Project to a private group for a cash consideration of \$370,000. The project comprised a single mining lease.

(f) Received a second royalty payment of \$200,000 for nickel ore extracted from its Lucky Break Mining Lease west of Townsville.

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.

Metallica Minerals Limited
Directors' report
31 December 2015

Matters subsequent to the end of the financial half-year

On 25 February 2016 Metallica Minerals Limited announced a pro rata renounceable rights issue of 2 Metallica new shares at 3 cents for every 5 Metallica shares, to be offered to eligible shareholders on 3 March 2016. Investors will receive a free listed option with an exercise price of 4.5 cents expiring 30 June 2017, with every 2 new shares subscribed. The issue will raise up to \$2 million and is partially underwritten to \$200,000. Funds raised from the rights issue will be primarily used to advance the Urquhart Bauxite Project to the grant of a Mining Lease and for working capital purposes.

No other matter or circumstance has arisen since 31 December 2015 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



Barry J Casson
Chairman

11 March 2016
Brisbane

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

As lead auditor of Metallica Minerals Limited for the half-year ended 31 December 2015, 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: 11 March 2016

Metallica Minerals Limited

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General information

The financial statements cover Metallica Minerals Limited as a consolidated entity consisting of Metallica Minerals Limited and the entities it controlled at the end of, or 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 11 March 2016. The directors have the power to amend and reissue the financial statements.

Metallica Minerals Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

	Note	31 Dec 2015 \$	31 Dec 2014 \$
Revenue		249,558	302,034
Other income	3	248,863	3,813,838
Expenses			
Advertising and promotional costs		(8,415)	(27,165)
Raw materials and consumables used		(35,661)	(97,968)
Rental expenses		(68,620)	(122,076)
Employee benefits expense		(590,571)	(460,478)
Exploration and evaluation expenditure		(363,682)	(410,400)
Depreciation and amortisation expense		(2,502)	(24,025)
Impairment of property, plant and equipment	4	(208,548)	-
Impairment of mining assets	6	(173,023)	(2,165,809)
Loss on sale of assets including inventory and property, plant and equipment		(217,461)	-
Listing fees and share register expenses		(34,058)	(41,585)
Impairment of exploration and evaluation assets	5	(3,992,114)	(2,591,741)
Legal fees		(104,728)	(69,379)
Airfares and conferences		(28,856)	(35,363)
Professional fees		(28,647)	(60,810)
Other expenses		(333,440)	(397,141)
Finance costs		(2,660)	(3,319)
Loss before income tax expense		(5,694,565)	(2,391,387)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Metallica Minerals Limited		(5,694,565)	(2,391,387)
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		<u>(5,694,565)</u>	<u>(2,391,387)</u>
		Cents	Cents
Basic earnings per share		(3.41)	(1.45)
Diluted earnings per share		(3.41)	(1.45)

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

Metallica Minerals Limited
Consolidated statement of financial position
As at 31 December 2015

	Note	31 Dec 2015	30 June 2015
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		638,360	1,440,755
Trade and other receivables		137,676	165,659
Inventories		-	147,100
Held to maturity investments		253,715	250,657
Other current assets		47,779	52,039
Total current assets		1,077,530	2,056,210
Non-current assets			
Property, plant and equipment	4	2,060,015	2,002,790
Exploration and evaluation assets	5	253,198	5,018,477
Other non-current assets		299,625	318,275
Total non-current assets		2,612,838	7,339,542
Total assets		3,690,368	9,395,752
Liabilities			
Current liabilities			
Trade and other payables		254,530	257,949
Employee benefits		21,103	214,196
Other	7	100,000	-
Total current liabilities		375,633	472,145
Non-current liabilities			
Employee benefits		41,739	28,010
Total non-current liabilities		41,739	28,010
Total liabilities		417,372	500,155
Net assets		3,272,996	8,895,597
Equity			
Issued capital	8	30,628,461	30,603,461
Reserves		7,950,442	7,903,478
Accumulated losses		(35,305,907)	(29,611,342)
Total equity		3,272,996	8,895,597

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

Metallica Minerals Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2015

	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 expense 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)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	470,000	-	-	470,000
Share-based payments	-	25,585	-	25,585
Balance at 31 December 2014	<u>30,603,461</u>	<u>7,903,478</u>	<u>(24,280,376)</u>	<u>14,226,563</u>
	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	30,603,461	7,903,478	(29,611,342)	8,895,597
Loss after income tax expense for the half-year	-	-	(5,694,565)	(5,694,565)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(5,694,565)	(5,694,565)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 12)	-	46,964	-	46,964
Shares issued for services rendered	25,000	-	-	25,000
Balance at 31 December 2015	<u>30,628,461</u>	<u>7,950,442</u>	<u>(35,305,907)</u>	<u>3,272,996</u>

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

Metallica Minerals Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2015

	Note	31 Dec 2015	31 Dec 2014
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		438,630	341,990
Payments to suppliers and employees (inclusive of GST)		(1,789,348)	(2,008,267)
		(1,350,718)	(1,666,277)
Interest received		8,130	40,609
Interest and other finance costs paid		(2,660)	(3,319)
Research and development tax offset received		-	579,280
Net cash used in operating activities		(1,345,248)	(1,049,707)
Cash flows from investing activities			
Net cash inflow on formation of joint operation	10	-	3,334,699
Net cash inflow on reduction of interest in joint operation		600,000	-
Payments for property, plant and equipment	4	(803,863)	(1,498,146)
Payments for exploration and evaluation assets	5	(116,934)	(780,201)
Payments for security deposits		-	(13,685)
Proceeds from sale of shares in MetroCoal Ltd	3	-	2,057,407
Proceeds from disposal of mining leases		845,000	-
Proceeds from release of security deposits		18,650	-
(Payments for)/proceeds from term deposit		-	(3,794)
Net cash from investing activities		542,853	3,096,280
Cash flows from financing activities			
Proceeds from issue of shares		-	500,000
Share issue transaction costs		-	(30,000)
Net cash from financing activities		-	470,000
Net increase/(decrease) in cash and cash equivalents		(802,395)	2,516,573
Cash and cash equivalents at the beginning of the financial half-year		1,440,755	988,033
Cash and cash equivalents at the end of the financial half-year		<u>638,360</u>	<u>3,504,606</u>

The above consolidated 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 2015 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 2015 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, unless otherwise stated.

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.

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. At 31 December 2015 current assets exceeded current liabilities by \$701,897 and during the half-year ended 31 December 2015 net cash used in operating activities was \$1,345,248.

During the half year the consolidated entity executed an option agreement to sell two granted mining leases that form part of the Boyne Limestone Project. The option term expires 12 May 2016. If this option is exercised, the consolidated entity will received a further \$900,000 on the sale of these tenements. Subsequent to balance date the consolidated entity announced a pro rata renounceable rights issue of 2 new Metallica shares at 3 cents per share for every 5 Metallica shares held. The issue can raise up to \$2million and is partially underwritten to \$200,000.

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 assets, is dependent on successful completion of the sale of the Boyne Limestone Project and the ability of the consolidated entity to successfully raise additional capital.

Should the sale of the Boyne Limestone Project not complete or the consolidated entity not be able to raise capital when required, there exists a material uncertainty that may cast significant doubt on 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 limestone mining lease (which was sold during the half-year) that was held for the purposes of the SCONI 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 and development of mine projects 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.

Metallica Minerals Limited
Notes to the consolidated financial statements
31 December 2015

Note 3. Other income

	31 Dec 2015 \$	31 Dec 2014 \$
Gain on formation of joint operation*	-	1,559,039
Gain on reduction of interest in joint operation	204,644	-
Net gain on disposal of investment in MetroCoal Limited**	-	2,057,407
Government grants	-	173,069
Other income	44,219	24,323
	<u>248,863</u>	<u>3,813,838</u>
Other income	<u>248,863</u>	<u>3,813,838</u>

*The gain on formation of the joint operation (refer note 9) 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. Non-current assets - property, plant and equipment

	31 Dec 2015 \$	30 June 2015 \$
Plant and equipment - at cost	955,185	1,247,390
Less: Accumulated depreciation	(797,380)	(979,962)
	<u>157,805</u>	<u>267,428</u>
Motor vehicles - at cost	47,539	50,977
Less: Accumulated depreciation	(24,229)	(24,562)
	<u>23,310</u>	<u>26,415</u>
Capital works in progress	2,638,837	2,260,336
Less: Impairment	(759,937)	(551,389)
	<u>1,878,900</u>	<u>1,708,947</u>
	<u>2,060,015</u>	<u>2,002,790</u>

Reconciliations

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

	Plant and Equipment \$	Motor Vehicles \$	Capital works in progress \$	Total \$
Balance at 1 July 2015	267,428	26,415	1,708,947	2,002,790
Additions	-	-	619,317	619,317
Disposals	(89,295)	-	-	(89,295)
Impairment of assets	-	-	(208,548)	(208,548)
Reduction in interest in joint operation	(17,826)	(3,105)	(240,816)	(261,747)
Depreciation expense	(2,502)	-	-	(2,502)
Balance at 31 December 2015	<u>157,805</u>	<u>23,310</u>	<u>1,878,900</u>	<u>2,060,015</u>

The capital works in progress represents the consolidated entity's share of the plant and equipment in the Oresome joint operation. Refer to note 9 for further information regarding impairment.

Note 5. Non-current assets - exploration and evaluation assets

	31 Dec 2015	30 June 2015
	\$	\$
Exploration and evaluation - at cost	<u>253,198</u>	<u>5,018,477</u>

Reconciliations

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

	Exploration and evaluation \$	Total \$
Balance at 1 July 2015	5,018,477	5,018,477
Additions	116,934	116,934
Disposals	(854,126)	(854,126)
Impairment of assets	(3,992,114)	(3,992,114)
Write off of assets	(9,451)	(9,451)
Reduction in interest in joint operation	<u>(26,522)</u>	<u>(26,522)</u>
Balance at 31 December 2015	<u>253,198</u>	<u>253,198</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.

A review has been undertaken of the carrying value of the SCONI Project as at 31 December 2015. 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, the 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 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.

As a result of these considerations, the directors have formed a view as to the appropriate carrying value of the SCONI Project resulting in a provision for impairment of \$3,992,114, resulting in a carrying value of nil for the SCONI Project.

Note 6. Non-current assets - mining development

	31 Dec 2015	30 June 2015
	\$	\$
Mining development - at cost	3,452,793	4,041,815
Less: Impairment	<u>(3,452,793)</u>	<u>(4,041,815)</u>
	<u>-</u>	<u>-</u>

Note 6. 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:

	Mining development at cost \$	Total \$
Balance at 1 July 2015	-	-
Additions	184,546	184,546
Impairment of assets	(173,023)	(173,023)
Reduction in interest in joint operation	(11,523)	(11,523)
	<u>-</u>	<u>-</u>
Balance at 31 December 2015	<u>-</u>	<u>-</u>

Mining development represents the consolidated entity's share of the mining development assets in the Oresome joint operation.

Impairment of the mining development assets and capital works in progress, 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 and capital works in progress has been estimated using the value in use basis. Value in use 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.

Significant judgements and assumptions are required in making estimates of value in use. It should be noted that the valuation of the mining development assets and capital works in progress 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 amount recognised for the mining development assets.

The calculation of value in use for the mining development assets and capital works in progress is most sensitive to variability in commodity prices and exchange rates. The key assumptions used in the half year carrying value assessments are: a commodity price of US\$1,100 per tonne for zircon, US\$700 per tonne for rutile, and a AUD:USD exchange rate of \$0.70.

Note 7. Current liabilities - other

	31 Dec 2015 \$	30 June 2015 \$
Deferred revenue	<u>100,000</u>	<u>-</u>

Note 8. Equity - issued capital

	31 Dec 2015 Shares	30 June 2015 Shares	31 Dec 2015 \$	30 June 2015 \$
Ordinary shares - fully paid	<u>167,440,316</u>	<u>166,891,830</u>	<u>30,628,461</u>	<u>30,603,461</u>

On 11 November 2015 the company issued 548,486 ordinary shares at 4.558 cents per share to a third party for consulting services rendered.

Note 9. Contingent liabilities

There have been no changes to the contingent liabilities noted in the 2015 annual financial report.

Metallica Minerals Limited
Notes to the consolidated financial statements
31 December 2015

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:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 Dec 2015 %	30 June 2015 %
Oresome Joint Venture	Australia	50.00%	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 has paid a total of A\$7,500,000 to develop the company's Urquhart Point Project including construction of a Heavy Mineral Sands (HMS) plant in South Africa, and explore for other Heavy Mineral Sands and Bauxite deposits on its tenements on the western side of Queensland's Cape York Peninsula. During the 31 December 2015 half year, Ozore paid the final instalment of A\$1,000,000 and the JV is now a 50/50 joint venture. The HMS plant has been shipped from South Africa to Australia and the Joint Venture is currently evaluating options in relation to the plant.

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 \$500,000 in the statement of cash flows, which represents Metallica's share of the Oresome JV cash and cash equivalents on the sell down of its interest in the joint operation during the 31 December 2015 half year. As stated in the preceding paragraph, these cash resources have been used to fund the construction of the HMS plant.

Note 11. Events after the reporting period

On 25 February 2016 Metallica Minerals Limited announced a pro rata renounceable rights issue of 2 Metallica new shares at 3 cents for every 5 Metallica shares, to be offered to eligible shareholders on 3 March 2016. Investors will receive a free listed option with an exercise price of 4.5 cents expiring 30 June 2017, with every 2 new shares subscribed. The issue will raise up to \$2 million and is partially underwritten to \$200,000. Funds raised from the rights issue will be primarily used to advance the Urquhart Bauxite Project to the grant of a Mining Lease and for working capital purposes.

No other matter or circumstance has arisen since 31 December 2015 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 12. Share-based payments

On 25 November 2015 the company granted 2,000,000 options to Andrew Gillies, a Non-executive Director of the company. The options are exercisable at \$0.10 per option and expire on 31 December 2016. The value of these options at grant date was \$46,964. The grant of the options will provide Andrew Gillies with reward and incentive for future services he will provide to the company to further the progress of the company.

Metallica Minerals Limited
Directors' declaration
31 December 2015

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2015 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



Barry J Casson
Chairman

11 March 2016
Brisbane

INDEPENDENT AUDITOR'S REVIEW 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 2015, 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 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 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 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

Emphasis of matter

Without 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 on successful completion of the sale of the Boyne Limestone Project and the future successful raising of necessary funding through equity. 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: 11 March 2016