

METALLICA MINERALS LIMITED | ASX:MLM

QUARTERLY REPORT

SEPTEMBER 2021



CAPE
FLATTERY
SILICA

ASX RELEASE

30 September 2021 Quarterly Report

26 October 2021

Metallica Minerals Limited an Australian resource development company, focused on becoming a Silica Sands producer.

ASX: MLM

Metallica Minerals Limited (ASX: MLM) (“Metallica”, “the Company”) is pleased to present its activities report for the quarterly period ending 30 September 2021.

Directors

Theo Psaros – Executive Chairman
Brad Sampson – Non-Executive Director
Mark Bojanjac – Non-Executive Director

Senior Management

Scott Waddell – CFO & Company Secretary
Nicholas Villa – General Manager,
Cape Flattery Silica Sand Project

CORPORATE

AS AT 30 SEPTEMBER 2021

Issued Capital

567,732,777 Ordinary Shares
130,678,964 Listed Options
8,160,000 Unlisted Options

Shareholders

2,159 shareholders
Top 20 shareholders hold 45.81%

Largest Shareholders

Ilwella Pty Ltd – 19.6%
Dostal Nominees Pty Ltd – 6.1%
Rookharp Capital Pty Limited – 3.4%

Cash Balance

As at 30/09/2021, MLM’s cash balance was approximately \$6.3m

Website

metallicaminerals.com.au



A short video presentation on our Cape Flattery Project is available on our website.

KEY EVENTS

Scoping Study for Cape Flattery Silica Sand project completed

Pre-Feasibility Study for Cape Flattery Silica Sand project commences

98 Hole drill program completed at Cape Flattery Project

Andrew Gillies and Scott Waddell retired from the Board of Directors

Unmarketable Share Sale Facility established

\$6.3 million in cash is available at quarter end, with no debt

MoU for Clermont Gold Copper Project Joint Venture signed

DEVELOPMENT & EXPLORATION

CAPE FLATTERY SILICA SANDS

MLM
Interest
100%

The Cape Flattery Silica Project is adjacent to the world class Cape Flattery Silica Sand mining and shipping operation owned by Mitsubishi. During the September 2021 quarter, the Company continued discussions on access arrangements for the tenement.

The drilling program, designed to improve confidence in the mineral resource, was successfully completed in mid August. A total of 98 drill holes were completed, totalling approximately 1,700m of drilling. The holes were drilled in the Eastern Target Area using a vacuum-based drill rig. 1,610 drill samples were dispatched to ALS laboratory in Townsville and the assay results were released on 30 September 2021 (refer to Latest Assay Results confirm and Extend High Purity Silica Sand).

The Scoping Study for the Cape Flattery Silica Project was released on 18 August 2021 (refer to ASX Announcement “ Scoping Study for Cape Flattery Silica Sand Project”). The completion of the Scoping Study has given the Company confidence in the project to move to a Pre-Feasibility Study (PFS).

Appointment of Pre Feasibility Study Team

A team of external consultants have begun work on the Pre Feasibility Study (PFS) for the Project. The consulting firms to lead and provide input into each aspect of the PFS are:

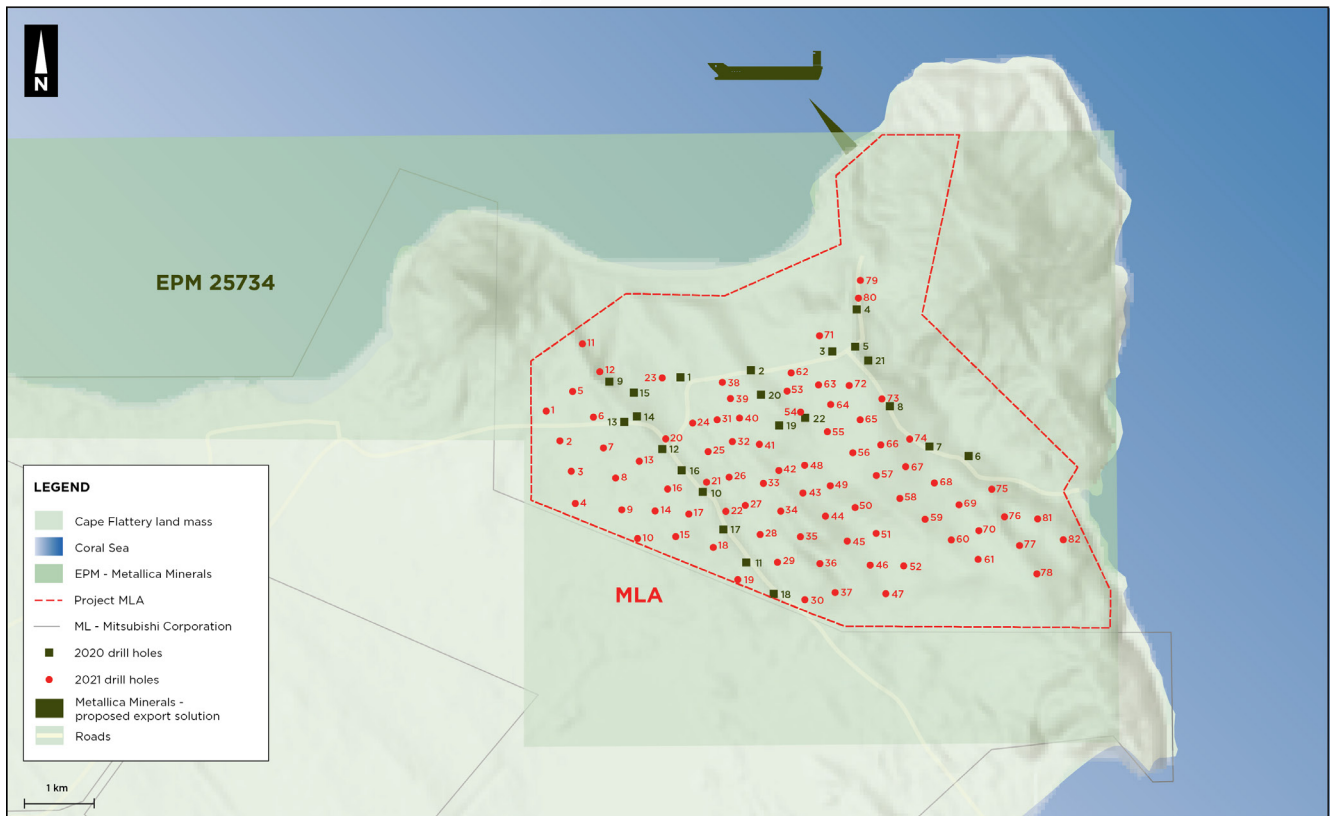


Figure 1: Drill hole location map in the Project's resource area, with Metallica's December 2020 drill holes shown in dark green and the July/August 2021 program drill holes shown in red



A short video presentation on our Cape Flattery Project is available on our website.

Vendor	Portfolio
WAVE International	Lead Manager including assessment of marine engineering and transshipping options
Mineral Technologies	Metallurgy and mineral process design
Ausrocks	Geology and mine design
EPIC Environmental	Environmental planning and applications

The PFS is expected to be completed in Q1 2022.

Traditional Landowner update

The Department of Resources (DOR) has issued the Section 29 Notification Native Title Act 1993 (Cth) to the various native title parties including Hopevale Congress Aboriginal Corporation, as agent for the Nguurruumungu Clan and Walmbaar Aboriginal Corporation, as agent for the Dinggaal Clan. The effective date for this Notice is 8 September 2021. This Section 29 notice provides the native title parties the opportunity to make submissions to DOR on or before 8 March 2022 in relation to the grant of the mining lease.

The formal process of negotiation with the Traditional Landowners for future mining operations is expected to begin in Q4 2021. The first Hope Vale community meeting was held on 6 October 2021. On the same day a separate meeting with the respective Traditional Land Owner clans, being Dingal and Nguurruumungu was held.

Next phase of Metallurgical testing

Further metallurgical test work is currently underway on additional bulk samples sourced from the exploration drilling program which was completed in August 2021. This test work will primarily focus on white sand with lower Fe₂O₃ levels. Previous metallurgy testing was undertaken on blended samples sand that had an SiO₂ level of greater than 98.5%. The testing of white sand samples will allow further engagement with potential offtake partners.



Figure 2: Drone image of potential jetty location for the CFS project.

Sand is the world's most consumed raw material after water and an essential ingredient to our everyday lives. Yet, the world is facing a shortage — and climate scientists say it constitutes one of the greatest sustainability challenges of the 21st century.

For construction alone the world consumes roughly 40 - 50 billion tons of sand on an annual basis. That's enough to build a wall of 27 meters high by 27m wide that wraps around the planet every year.

The global rate of sand use which tripled over the past two decades partially as a result of surging urbanisation – far exceeds the natural rate at which sand is being replenished by the weathering of rocks by wind and water.

Source: A sand shortage? The world is running out of a crucial — but under-appreciated — commodity <https://www.cnbc.com/2021/03/05/sand-shortage-the-world-is-running-out-of-a-crucial-commodity.html>

According to industry research firm IMARC Group, high-purity silica sands are becoming more sought after, with the global market growing at a compound annual growth rate (CAGR) of around 6% between 2010 and 2017. In 2017, a total of 188 Mt of silica sand was produced globally.

This growth has been driven by silica sand's applications across a broad range of industries including glass-making, foundry casting, water filtration, chemicals and metals, hydraulic fracturing and an increasing number of hi-tech products, including solar panels. For example, in the global glass-making industry, one of the major consumers of high-purity silica has experienced significant growth recently from the construction and automotive industries. IMARC also estimated the global silica sand market could grow from US\$8 billion to US\$20 billion in 2024.

Uses of Silica Sands

Silica Sands is quartz that over time, through the work of water and wind, has been broken down into tiny particles. The purity of Silica Sands varies from location to location due to environmental factors and as a result high purity sand is much sort after by end users.

The use of Silica Sands varies greatly but is used in production of Glass products; Architectural, Smartphones, Tablets, Automotive, Fiberglass, Solar Panels. Building products; Quarts surfaces, Roofing Shingles. Foundry Sand; Automotive and Manufacturing, Into Foundry Sand markets Fillers and Extenders, Chemicals and Construction Sands.

Source: www.imarcgroup.com/silica-sand-manufacturing-plant

CLERMONT GOLD-COPPER



On 3 August 2021 the Company announced it had signed a Memorandum of Understanding (MoU) with Diatreme Resources for a potential Joint Venture (JV) on the Clermont Gold Copper Project which comprises of EPM 17968.

The Key terms of the JV MoU are:

- » MLM to conduct due diligence on the project for an exclusive period of thirty (30) days from the date of signing the MoU (with the number of Covid lockdowns the completion of due diligence has been extended to 31 October 2021)
- » Should MLM decide to proceed with an investment in the Clermont Project, MLM will invest a minimum of \$300,000 by no later than 31 December 2021 (or later if an extension is required) and will earn a 25% interest in the project
- » Should MLM invest a further \$700,000, MLM will hold a 51% interest in the project
- » MLM will then have the right to invest a further \$1m to earn a total of 75% of the project
- » The JV partners will then be entitled to contribute further funding to the project in proportion to the 75% (MLM) and 25% (DRX) holdings

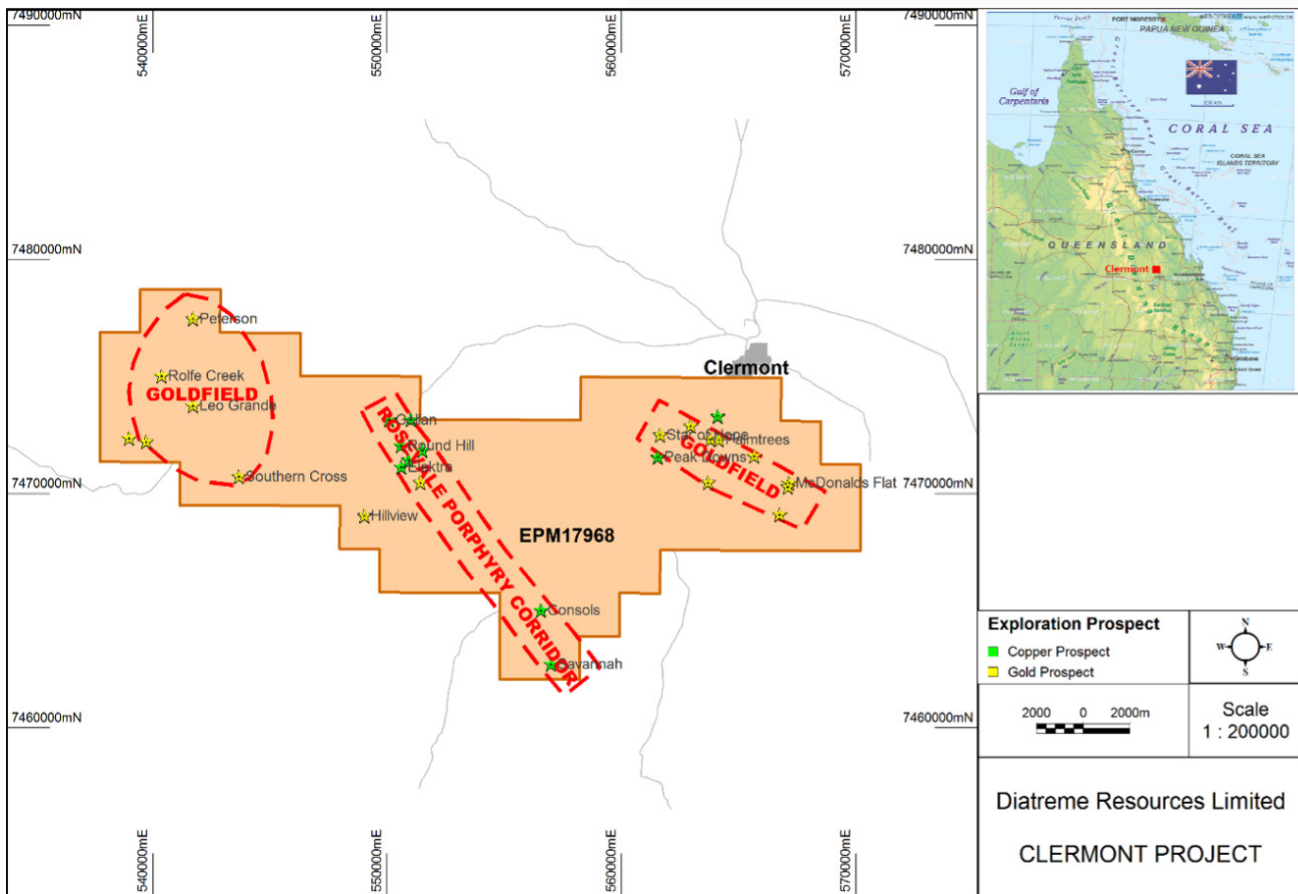


Figure 3: Clermont Gold Copper project historical targets

The project comprises EPM, 17968 and consists of 80 sub-blocks, (approximately 240 km²) and is located south of the township of Clermont in Central Queensland. The project is held by Chalcophile Resources Pty Ltd, a 100% owned subsidiary of DRX and was granted in October 2015 for a period of five years. It has subsequently renewed for an additional 5 years and now expires in October 2025.

The Project area lies within the Anakie Inlier of east central Queensland (Figure 3) and contains known gold and copper mineralisation and historical copper and gold mine workings. The Company has identified targets within the EPM (Figure 3) representing

potential to host Au-Cu veins and structurally controlled gold vein type mineralisation which the Company will assess during the due diligence phase to determine how prospective each target is and whether significant copper or gold mineralisation can be identified at the target areas which can then potentially be progressed rapidly to JORC status.

Copper and gold mineralisation will be the Company's primary focus for exploration within the EPM.

ESMERALDA

GOLD & BASE METALS, GRAPHITE

The Esmeralda Project consists of 3 EPM's covering approximately 976km².

During the Quarter the Company has completed a further desktop review of the Esmeralda Project and the Company has decided to relinquish the tenements.

The tenement relinquishment process started in September 2021.

CORPORATE

In August 2021 the Company relocated its registered office to the North Tower, Level 1 Gregory Terrace Office Park, 527 Gregory Terrace, Fortitude Valley QLD 4006.

A webinar Presentation and Business update was held on 24 August, this webinar allowed shareholders and other interested parties to hear from Messrs. Theo Psaros, Executive Chairman and Scott Waddell, Chief Financial Officer and Company Secretary. An opportunity to ask Question and Answers was also provided at the end of the webinar. The Company is committed to providing regular webinar updates going forward.

As part of a planned sequence of Board succession, Messrs. Andrew Gillies and Scott Waddell retired from the Board of Directors on 31 August 2021, Scott Waddell has continued with his current executive roles of Chief Financial Officer and Company Secretary.

On 20 September 2021 a Share Sale Facility for holders of Unmarketable Parcels of shares was announced. The Company is providing the Facility to holders of Unmarketable Parcels to sell their shares without incurring any brokerage or handling costs that could otherwise make a sale of their shares uneconomic or difficult.

The ASX Listing Rules define "Unmarketable Parcels" as one with a market value of less than A\$500. As at market close on 17 September 2021 (Record Date) an unmarketable parcel of shares in the Company is any shareholding of 16,666 shares or less, based on the closing price of 3 cents per MLM share.

The summary of key dates in relation to the Facility is as follows:

Event	Date
Unmarketable Parcels Record Date	17 September 2021
Unmarketable Parcels Announcement to ASX	20 September 2021
Letters sent to shareholders holding Unmarketable Parcels	27 September 2021
Closing Date for receipt of Share Retention Form	9 November 2021

The Annual General Meeting of the Company will be held at 10:00 am on Wednesday 17 November 2021 at the offices of Colin Biggers Paisley, Level 35 Waterfront Place, 1 Eagle Street, Brisbane QLD 4001.

Metallica will also be presenting at the Noosa Mining Investor Conference on Wednesday 10 November 2021.



Figure 4: CFS project August 2021 drilling with vacuum drill rig (Mitsubishi operation in the background)

COVID-19

The Company continues to follow recommendations from Queensland Health and the Australian Government to provide a COVID-19 safe workplace. The Company is also in the process of drafting a COVID-19 Policy which will ensure that any representative of the Company who travel to remote indigenous populations be fully vaccinated against COVID-19.

Metallica remains committed to following the guidelines released by the Government.

FINANCIAL UPDATE

The Full Year Statutory Accounts were released on 19 August 2021.

Metallica ended the September 2021 quarter with \$6.3 million in cash and without any debt.

DECEMBER 2021 QUARTER OUTLOOK

Metallica's focus for the December 2021 quarter is to:

- » Continue environmental studies which are currently underway;
- » Progress the Pre Feasibility Study for Cape Flattery Silica Sand Project;
- » Start formal negotiations with the Traditional Landowners to obtain support for future mining operations;
- » Progress studies on options to build a barge-loading facility to tranship silica sand onto Ocean-Going Vessels;
- » Continue an assessment on the silica sand market and potential for establishing customer off-take agreements.
- » Undertake further metallurgical test work on additional bulk samples to be sourced from the July/August 2021 drilling program;
- » Complete Due Diligence for the Clermont Copper-Gold Project and then decide if a further investment into the Clermont project is warranted, noting that any investment will not impact the progression of MLM's Cape Flattery Silica Sand project towards production.



Figure 6: Sand samples from the August 2021 CFS project drill program

TENURE

As at 30 September 2021

Tenure	Project	Status	Commenced	Grant	Expiry	Location	Area HA	Area S/B	Area Km ²
EPM25734	CAPE FLATTERY	C	25/5/15	25/5/20	24/5/25	200km N of Cairns	0	11	54.4
ML100284	CAPE FLATERRY	A				50km N of Cooktown	615.9	0	
EPM25728	FAIRVIEW	C	6/8/15	6/8/20	5/8/23	25km W of Gladstone	0	5	16
EPM25756	FAIRVIEW #1	C	12/12/14	12/12/19	11/12/24	25km W of Gladstone	0	1	3.2
EPM25779	WARRIOR	C	24/6/15	24/6/20	23/6/25	S of Croydon	0	19	60.8
EPM27210	CLARA	C	24/9/19	24/9/19	23/9/24	80km S of Croydon	0	100	320
EPM27290	MOMBA	C	10/2/20	10/2/20	9/2/25	70km SW of Croydon	0	89	284.8
EPM27740	CHILLAGOE WEST	A	Application for grant of sub blocks			28 Km NE of Wandoo	0	46	151.34

Note that EPMs 25728, 25756, 27210, 27290, and 27740 are in the process of being relinquished to FURTHER reduce the cost of maintaining and managing the Company's core tenements and to facilitate the Company's focus on the development of the Cape Flattery Silica project tenements.

NOTICES

Competent Person Statements

The information in this announcement that relates to the Cape Flattery Silica Project-Eastern Exploration Target and this Resource Estimation was based on results and data collected and compiled by Mr Neil Mackenzie-Forbes, who is a Member of the Institute of Geoscientists and is a Consulting Geologist employed by Sebrof Projects Pty Ltd and engaged by Metallica Minerals Ltd. Mr Mackenzie-Forbes has more than 20 years mining and exploration experience in Australia with major mining and junior exploration companies. Mr Neil Mackenzie-Forbes consents to the inclusion of this information in the form and context in which it appears in this release/report.

The information in this announcement that relates to the Cape Flattery Silica Project - Eastern Resource Area is based on information and modeling undertaken by Mr Chris Ainslie, Geotechnical Engineer, who is a full-time employee of Ausrocks Pty Ltd and a Member of the Australasian Institute of Mining & Metallurgy. The work was supervised by Mr Carl Morandy, Mining Engineer who is Managing Director of Ausrocks Pty Ltd and a Member of the Australasian Institute of Mining & Metallurgy and also by Mr Brice Mutton who is a Senior Associate Geologist for Ausrocks Pty Ltd. Mr Mutton is a Fellow of the Australasian Institute of Mining & Metallurgy and a Fellow of the Australian Institute of Geoscientists. Mr Morandy and Mr Ainslie and Mr Mutton are employed by Ausrocks Pty Ltd who have been engaged by Metallica Minerals Ltd to prepare this independent report, there is no conflict of interest between the parties. Mr Morandy, Mr Ainslie and Mr Mutton consent to the disclosure of information in the form and context in which it appears in this release/report.

The overall resource work for the Cape Flattery Silica Project - Eastern Resource Area is based on the direction and supervision of Mr Mutton who has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

The technical information in this report that relates to process metallurgy is based on information reviewed by Arno Kruger (MAusIMM) and work completed by IHC Mining. Mr Kruger is a metallurgical consultant and an employee of IHC Mining. Mr Kruger has sufficient experience that is relevant to the type of processing under consideration and to the activity being undertaken to qualify as a Competent Person as defined by the JORC Code 2012. Mr Kruger consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Forward-looking Statements

Forward-looking statements are based on assumptions regarding Metallica, business strategies, plans and objectives of the Company for future operations and development and the environment in which Metallica may operate.

Forward-looking statements are based on current views, expectations and beliefs as at the date they are expressed and which are subject to various risks and uncertainties. Actual results, performance or achievements of Metallica could be materially different from those expressed in, or implied by, these forward-looking statements. The forward-looking statements contained in this presentation are not guarantees or assurances of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Metallica, which may cause the actual results, performance or achievements of Metallica to differ materially from those expressed or implied by the forward-looking statements. For example, the factors that are likely to affect the results of Metallica include general economic conditions in Australia and globally; ability for Metallica to fund its activities; exchange rates; production levels or rates; demand for Metallica's products, competition in the markets in which Metallica does and will operate; and the inherent regulatory risks in the businesses of Metallica. Given these uncertainties, readers are cautioned to not place undue reliance on such forward-looking statements.

APPENDIX 5B

Mining exploration entity or oil and gas exploration entity

QUARTERLY CASH FLOW REPORT

Name of entity: Metallica Minerals Limited

ABN: 45 076 696 092

Quarter ended ("current quarter") 30 September 2021

	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	9	9
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-406	-406
(b) development	-477	-477
(c) production		
(d) staff costs	-142	-142
(e) administration and corporate cost	-240	-240
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	-1,255	-1,255
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	-22	-22
(d) exploration & evaluation (if capitalised)		
(e) investments		
(f) other non-current assets		

2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	-22	-22
		Current Quarter	Year to date
		\$A'000	(12 months)
			\$A'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from/(used in) financing activities		
4.	Net increase/(decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,532	7,532
4.2	Net cash from/(used in) operating activities (item 1.9 above)	-1,255	-1,255
4.3	Net cash from/(used in) investing activities (item 2.6 above)	-22	-22
4.4	Net cash from/(used in) financing activities (item 3.10 above)		
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	6,255	6,255

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,232	3,509
5.2	Call deposits	4,024	4,023
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,255	7,532
6.	Payments to related parties of the entity and their associates	Current quarter \$A'000	
6.1	Aggregate amount of payments to related parties and their associates included in item 1*		
6.2	Aggregate amount of payments to related parties and their associates included in item 2		
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments. *Note: Item 6.1 is made up of Director Fees including superannuation for a Director.			
7.	Financing facilities Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
8.	Estimated cash available for future operating activities	\$A'000	
8.1	Net cash from / (used in) operating activities (Item 1.9)		-1,255
8.2	Capitalised exploration & evaluation (Item 2.1(d))		0
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)		-1,255
8.4	Cash and cash equivalents at quarter end (Item 4.6)		6,255
8.5	Unused finance facilities available at quarter end (Item 7.5)		0
8.6	Total available funding (Item 8.4 + Item 8.5)		6,255

8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	5
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
	1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
	2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
	3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	

Compliance statement

1. This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
2. This statement gives a true and fair view of the matters disclosed.

Date: 26 October 2021

Authorised by: The Board of Directors

NOTES

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee - eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.