



1 May 2018

Dear Shareholders,

1. Growth

In recent communications, we have advised shareholders of our previously stated ambition to focus on the growth of Metallica into a bauxite miner with substantial production and size. Our overall vision is to produce 5-7 million tonnes of bauxite a year within the next 3 to 5 years.

Managing Director, Simon Slesarewich and his team, together with the Board, have conducted an extensive global search for acquisition opportunities that meet Metallica's criteria: projects that are advanced, long life, low cost to develop and possess the potential to deliver significant long-term value for shareholders.

2. Solomon Islands (Wagina Project)

On Monday, we unveiled an initial, low-risk step towards expanding our bauxite portfolio beyond the Urquhart bauxite project in far north Queensland, which, when in operation, is forecast to produce up to 1.5 million tonnes of bauxite a year.

The A\$120,000 secured loan to South West Pacific Bauxite (SWPB), majority owner of the Wagina Bauxite Project in the Solomon Islands, was a carefully considered move that we hope will end up delivering exactly the kind of high-quality growth project we have been looking for.

Our initial assessment is that the Wagina Project has the attributes sought.

Firstly, the Project has an established JORC 2012 Mineral Resource of 30.1 million tonnes at 46.9 % Al_2O_3 and very low silica grade of 3.0%, all contained within a granted Mining Lease. Studies completed by SWPB envisage this resource supporting a mining operation producing 2 to 3 million tonnes of bauxite a year for more than 10 years.

Secondly, the development scenario contemplated in the studies is simple: bauxite would be mined at or near surface, transported to a barge-loading facility and then transhipped in sheltered deep water to large ocean-going vessels approximately 2km away.

Finally, one of the advantages of operating a bauxite mine in the Solomon Islands is that it is only 10 days' shipping from China, compared to another emerging global source of bauxite, Guinea in West Africa (approximately 33 days). The owners of the nearby Rennell Island mine, which has similar quality bauxite to Wagina, have been exporting to China since 2014 and, in 2017, exported 1.53 million tonnes.

The other key criteria set for our management team in identifying suitable growth projects was that any acquisition needed to be able to be executed at a manageable and favourable price such that shareholders will be able to realise additional value.

A firm decision on whether to pursue the acquisition of Wagina won't be taken until thorough due diligence has been successfully completed and the results carefully analysed. Due diligence will involve a detailed review of all technical, commercial and legal aspects of the project, including the existing mining lease and any other approvals that may be required.

Should we be satisfied by the findings, we would look to proceed with an acquisition. At this stage we believe we currently have the capacity to fund this acquisition from existing resources.

The emergence of the opportunity in the Solomon Islands certainly shouldn't be viewed as a sign we are placing any less emphasis or priority on the Urquhart Project at Weipa. The delay in securing access to build the haul road has been frustrating for all involved. However, we remain confident of a resolution in the near-term and are working hard to achieve this outcome.

Urquhart has, in fact, progressed relatively quickly for a mining project - taking a deposit from discovery, through the complex permitting processes to construction-ready in less than 4 years.

Holding costs on the Urquhart Bauxite project are also modest and, based on our financial position at the end of March 2018, we can very comfortably cover our share of the Urquhart capital development cost estimated at \$1.1 million.

3. Board

To further support our growth aspirations, Metallica has taken the first steps towards strengthening and diversifying core competencies for its Board.

I congratulate Simon Slesarewich on his appointment as Managing Director of Metallica and look forward to welcoming one to two more independent non-executive directors to the board in the short term.

Metallica will continue to operate a lean and appropriately sized cost structure, whilst at the same time ensuring that the appropriate skills and experience are available to us through the board and management team to ensure that growth and risk are managed in a way that will deliver genuine value for shareholders.

We look forward to providing you with more positive updates on Metallica's progress throughout 2018 and we very much appreciate your on-going support.



Peter Turnbull
Chairman

