

# MERGER PRESENTATION

BUILDING AN ASX-LISTED  
CASH FLOW FOCUSSED RESOURCE COMPANY



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# Compelling Merger Rationale

01

**Enhanced Capital Market Profile:** An increased market capitalisation facilitates increased share trading liquidity, analyst coverage and a potential re-rating.

02

**Stronger, More Diversified Shareholder Register:** The merged entity will have a strong and supportive shareholder base with a balance of institutional, strategic and retail investors.

03

**Highly Experienced Board:** Consisting of three directors from each Company committed to driving long term sustainable value for shareholders. George Lloyd to assume the Chair.

04

**Increased Management Capability:** The combined management team has complementary skills, are culturally aligned and will enhance overall corporate capability. Simon Slesarewich to continue as Managing Director.

05

**Complementary Combination of Assets:** The combined portfolio will see bauxite, mineral sands and silica sand assets all Qld based with similar project technical features and favourable commodity price outlooks.

06

**Access to Goondicum Near Term Production and Cash Flow:** Goondicum is on schedule to commence production in Q4 CY2018, be cash flow positive by Q2 CY2019 and forecast to deliver pre-tax cash flow of over US\$90M over the nine year mine life.

07

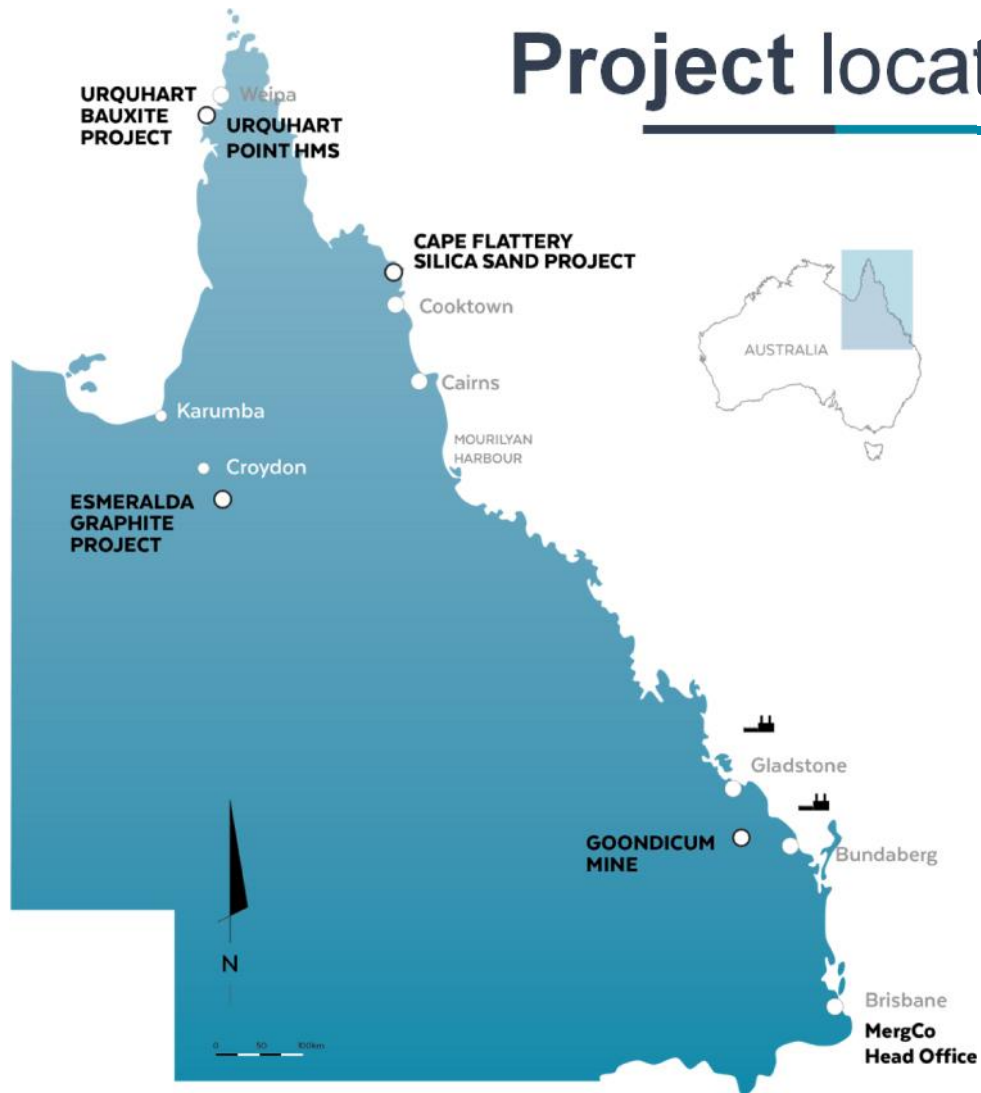
**Urquhart Bauxite Development Scheduled Soon After:** Urquhart Bauxite is a simple development proposition with a granted mining lease. Management are optimising the logistics solution to maximise project returns.

08

**Additional Prospective Development & Exploration Assets:** Urquhart Pt Mineral Sands, Cape Flattery Silica Sands and the Esmeralda Graphite project provide additional opportunities to unlock value from the portfolio.



# Project locations



*“Building an ASX-listed cash flow focussed resources company together”*

# Benefits of the Transaction

## Benefits for Melior Shareholders

### GROWTH OPPORTUNITIES

Melior shareholders set to benefit from the Urquhart Bauxite project and pipeline of future growth opportunities

### STRONGER BALANCE SHEET

Melior shareholders will benefit from a stronger balance sheet due to Metallica's favourable net cash position

### FURTHER POTENTIAL

The cash flow generated by Goondicum has the potential to realise further value from Urquhart and the Joint Venture more broadly

### BALANCED SHARE REGISTER

More balanced share register with the introduction of a larger spread of retail investors

## Benefits for Metallica Shareholders

### CASHFLOW

Metallica shareholders will benefit from the near term cashflow generation of the long life Goondicum project

### \$120M

Will gain exposure to over \$120 million of investment in Goondicum by previous owners

### EXPLORATION

Significant exploration opportunities in the surrounding tenure of Goondicum which has the potential to nearly double the existing mine life of nine years

### FURTHER POTENTIAL

The cash flow generated by Goondicum has the potential to realise further value from Urquhart and the Joint Venture more broadly

### BALANCED REGISTER

More balanced share register with the introduction of Institutional and strategic investors, including Pala as a 30% shareholder

# Transaction Details

<b>Structure</b>	<ul style="list-style-type: none"> <li>• Merger to be via a court approved Plan of Arrangement in British Columbia, Canada.</li> <li>• Metallica to be the surviving entity and to maintain its ASX listing</li> <li>• Melior shareholders to receive 20 Metallica shares for every 1 Melior share held</li> </ul>	
<b>Relative Ownership</b>	<ul style="list-style-type: none"> <li>• Metallica shareholders will hold 36% of MergeCo</li> <li>• Melior shareholders will hold 64% of MergeCo</li> </ul>	
<b>Board</b>	MergeCo Board will comprise of three representatives each from Metallica and Melior	
	<p><b>Metallica</b>            Simon Slesarewich (Managing Director)            Peter Turnbull            Ian Jacobson</p>	<p><b>Melior</b>            George Lloyd (Chairman)            Mark McCauley (Executive Director)            Martyn Buttenshaw</p>
<b>Recommendation and Support</b>	<ul style="list-style-type: none"> <li>• Metallica and Melior boards unanimously recommend the transaction.</li> <li>• Metallica and Melior boards intend to vote in favour of all resolutions put to respective shareholders</li> <li>• Melior has entered into binding agreements representing almost 80% of Melior shares to vote in favour of the transaction</li> </ul>	
<b>Shareholder Approvals</b>	<p><b>Metallica will seek shareholder approval to:</b></p> <ul style="list-style-type: none"> <li>• Issue the Consideration Shares</li> <li>• Approve Pala holding over 20% of MergeCo following implementation of the transaction</li> <li>• Any other ASX or ASIC requirements</li> <li>• Implement a corporate name change</li> </ul>	<p><b>Melior will seek court and shareholder approval to:</b></p> <ul style="list-style-type: none"> <li>• Implement the Plan of Arrangement in accordance with British Columbia laws</li> </ul>
<b>Conditions</b>	<ul style="list-style-type: none"> <li>• Receipt of all regulatory, shareholder and other approvals including ASX, ASIC, TSXV approvals;</li> <li>• Approval of the Plan of Arrangement by Melior shareholders and the Court;</li> <li>• Independent Expert concluding that the transaction is in the best interests of Metallica shareholders;</li> <li>• Other conditions customary to this type of transaction, including the absence of a material adverse change, no prescribed transactions occurring, accuracy of representations and warranties, obtaining waivers and consents from third parties as necessary, a break fee payable under prescribed circumstances</li> </ul>	



# Melior Key Project

Goondicum Ilmenite Mine





# Goondicum Ilmenite Project

## Highlights

### 100% Owned

100% owned high-grade ilmenite and apatite mine located in Monto, Queensland

### Mine Re-start

Mine re-start on schedule to commence commissioning in CY 2018

### Cash flow

Positive free cash flow due in Q2 2019. US\$51M first three years production

### Fully Financed

Fully financed and de-risked via off-take agreements

### Major Shareholder

Pala Investments, has supported the funding package through a Restart Facility

### Off-take Agreements

Ilmenite offtake agreements with Hainan Wensheng (China) and Sojitz (Japan and South Korea)

### 15% Premium

Goondicum ilmenite to receive a 15% premium to the benchmark

### Off-take

Apatite life of mine off-take signed with domestic organic agricultural group

### Mine Life

Current nine year mine life with strong potential to extend this through conversion of Resources to Reserves

### Exploration

Current mining lease occupies only 20% of the Goondicum crater and the area demonstrates consistent geology and mineralisation

### Previous Investment

Advantage of over \$120 million of previous investment

### Simple

Simple open cut mining process with zero strip ratio and low operational risk. IP processing technology has potential to further improve processing





# Goondicum PEA\*

## Project NPV

After-tax Project NPV  
of US\$46.4M

## Project IRR

After-tax Project  
IRR of 92%

## Payback Period

After-tax Project payback  
period of 1.6 years

## US \$7M

Prestart capital costs of US\$7M  
(with the majority already expended)

## US \$92M

Total life of mine before tax cash  
flow of US\$92M with US\$51M  
generated in the first three full  
years of production

## US\$204/tonne

Independent minerals consultant,  
TZMI, forecast long term prices for  
Goondicum ilmenite of  
US\$204/tonne FOB Australia

## US \$124/tonne

Average unit operating cash cost  
of production of US\$124/tonne  
FOB of product produced

## 160,000t

Average annual ilmenite  
production of 160,000 tonnes  
with peak production of  
198,000 tonnes

## 9 year

Mine life of nine years using a  
high-grade mine plan

## 23.25Mt

Total mineral resource processed  
over life-of-mine of 23.25Mt at  
an average ilmenite and apatite  
grade of 7.0% and 2.3% respectively

## Mineral Resources

Total indicated mineral resources:  
66Mt for 3.4Mt of contained ilmenite  
and 1.2Mt of contained apatite

\* Preliminary Economic Assessment April 2018



# Ilmenite Market

## Demand

strongly correlated to  
global GDP

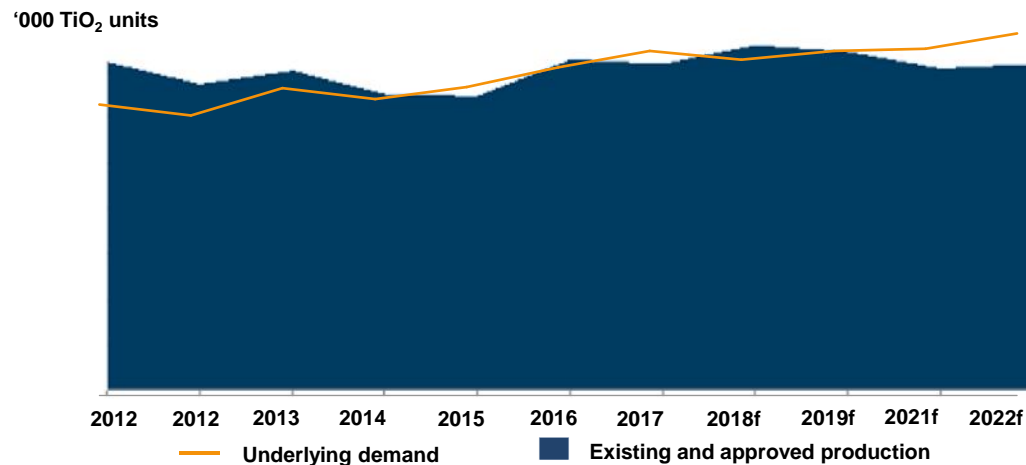
## Supply

Average grade and mineral  
assemblage of new supply  
is reducing

## Consumption

Per capita consumption in  
China remains <50% of North  
America and Europe

## Global supply/demand balances and outlook to 2022



***“... the supply/demand outlook continues to show an increasing supply deficit for the period to 2022 due to the rapid rate of supply decline from existing operations. If no new supply is commissioned, TZMI’s current projections suggest the supply gap could reach 900,000 TiO<sub>2</sub> units by 2022.” TZMI May 2018***

# Metallica Key Project

Urquhart Bauxite Project



# Urquhart Bauxite Project

## Highlights

### 50% Owned

50% owned Bauxite project located in Cape York, Queensland

### Fully Funded

Fully funded, low capex, DSO mining operation

### Simple mining

Short ramp-up to full production given simple mining operation

### Mining costs

Mining costs have largely been locked in via contracts

### Potential to extend

Potential to extend mine life via conventional screening of low grade material

### Resource

JORC Resource  
9.5 million tonnes

### Reserves

Reserve 6.5Mt  
Base Case

### Hey Point

GCR successfully recommenced barging and shipping operations from Hey Point

### Granted

Mining Lease granted

### Executed

Traditional Land Owner agreements executed

### Haul Road

Finalising outstanding agreements with Stakeholder with assistance from Queensland government

### Optimisation

Potential to further optimise via additional infrastructure



# Urquhart PFS\*

## Key Outputs of the PFS

Item	Unit	Base Case (100% Basis)	Base Case (MLM share – 50% basis)
Total Saleable Product	dry kt	6,532	3,266
Total Al <sub>2</sub> O <sub>3</sub>	%	52.7	52.7
Total SiO <sub>2</sub>	%	13.3	13.3
Total Revenue	A\$m	389	195
EBITDA	A\$m	68.8	34.4
NPV <sub>10</sub> Pre Tax	A\$m	47.3	23.7
NPV <sub>10</sub> Post Tax	A\$m	33.7	20.5
IRR Post Tax		364%	469%
LOM Capital	A\$m	2.2	1.1
Avg CFR Costs*	A\$ tonne	49.08	49.08
Avg CFR Received	A\$ tonne	59.62	59.62
Payback	years	< 2 yrs	< 2 yrs

\* Includes all operating costs, royalties and other payments

\* Pre-Feasibility Study, September 2018



# Bauxite Market

## Outlook

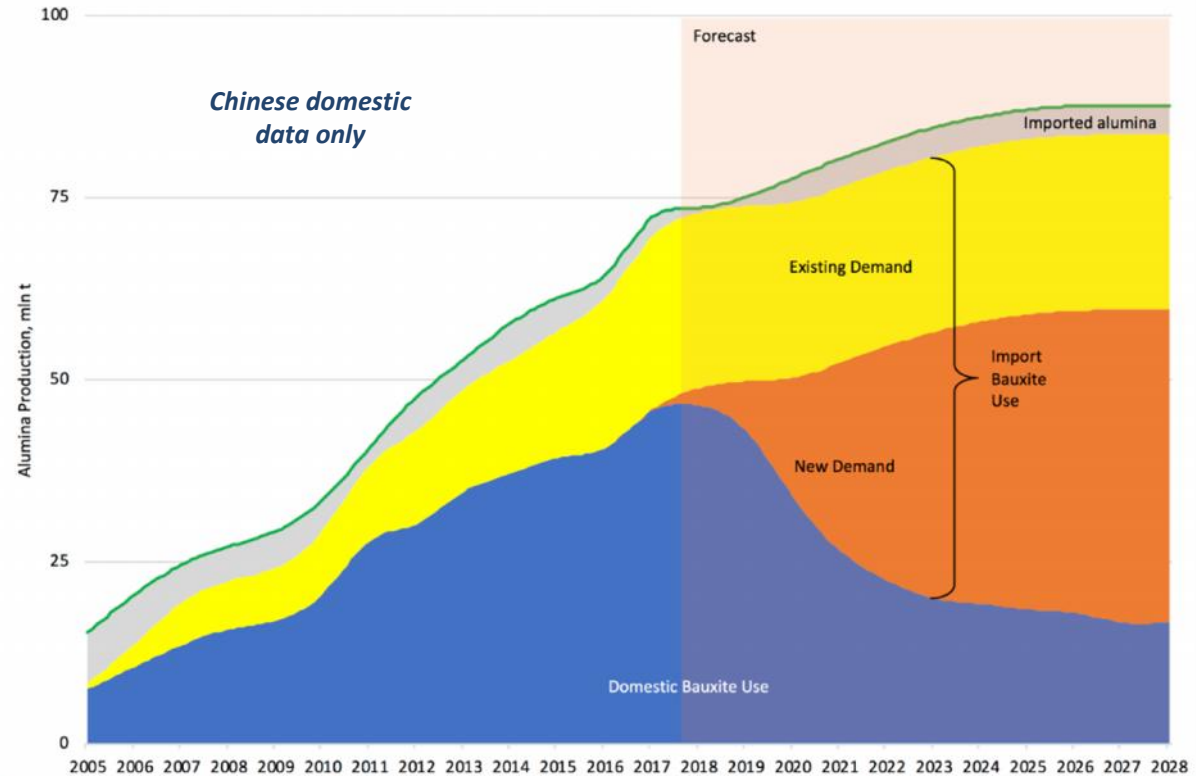
Pricing and demand remains robust

## China

Imported approximately 7.3Mt bauxite in May 2018, up 17% month on month and equating to an annual rate of 87Mt

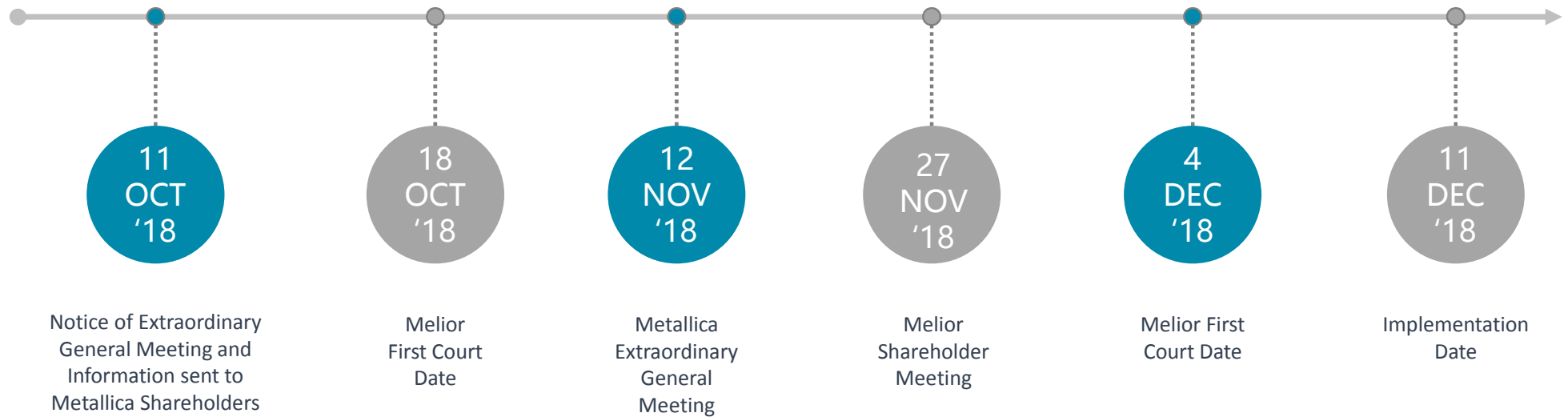
## USA

Changes relating to the application of tariffs on imported goods to date has had no apparent impact on Australian producers



**“... Chinese demand for bauxite is forecast to increase by 65-75Mt per annum over the next 5-7 years as a result of domestic depletion and new alumina refining capacity being built, with approximately 60% of this new demand to be met by imported bauxite.” CM Group May 2018**

# Indicative Transaction Timetable





# Competent Person Statements

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## **Metallica Minerals Ltd**

### **Urquhart Bauxite**

The Mineral Reserve estimate and Production Target estimates were undertaken by Mr Stewart Lewis, Mining Engineer, who is a Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy and the CEO of IMC Mining Pty Ltd. Mr Lewis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Lewis consents to the inclusion of this information in the form and context in which it appears in this release/report.

The Mineral Resource estimate was undertaken by Mr John Horton, Principal Geologist, who is a Fellow and Chartered Professional of the Australasian Institute of Mining and Metallurgy and an associate at IMC Mining Pty Ltd. Mr Horton has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Horton consents to the inclusion of this information in the form and context in which it appears in this release/report.

The information in this report that relates to Exploration Results and Exploration Targets is based on information compiled by John Cameron (a geologist of over 25 years experience), and a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy and is a contract consultant to Metallica Minerals Ltd. Mr Cameron has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Cameron consents to the inclusion of this information in the form and context in which it appears in this release/report.

### **Cape Flattery Silica Sands**

The information in this report that relates to the Exploration Results and Targets was undertaken by Mr Neil Mackenzie-Forbes, who is a Member of the Australian Institute of Geoscientist and is a Consulting Geologist employed by Sebprof Projects Pty Ltd. Mr Neil Mackenzie-Forbes has in excess of 20 years mining and exploration experience in Australia with major mining and junior exploration companies. Mr Mackenzie-Forbes 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. Mr Neil Mackenzie-Forbes consents to the inclusion of this information in the form and context in which it appears in this release/report.

## **Melior Resources Inc**

### **Goondicum Ilmenite**

The Qualified Persons who reviewed Melior's technical information are: Steven Gilman, BAppSc (Extractive Metallurgy), FAusIMM (CP) (105881), SME (1158500), employed by TZMI as Principal Consultant; Simon Tear, BSc Hons (Mining Geology), P.Geo (Institute of Geologists of Ireland 17), EurGeol (26), employed by H&S Consultants Pty Ltd as a director and Consultant Geologist; and Graham Lee as an Associate to H&S Consultants Pty Ltd, BSc(Hons) FAusIMM (101602) and registered as a Chartered Professional Geologist (CP(Geo)) with the Australasian Institute of Mining and Metallurgy.





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