

Prospectus

Metallica Minerals Limited

ACN 076 696 092

For:

- a renounceable pro rata offer to Eligible Shareholders of 2 New Shares for every 5 Existing Shares at an issue price of \$0.03 per New Share with 1 free attaching New Option (exercisable at \$0.045 on or before 30 June 2017) for every 2 New Shares issued to raise up to \$2,009,284 before issue costs (**Offer**); and
- an offer of Shortfall Securities on terms set out in section 9.8 (**Shortfall Offer**).

The Offer is partially underwritten by CPS Capital Group. See section 9.5 for details.

ASX Code: MLM

This Prospectus provides important information about the Company. You should read the entire document including the Entitlement and Acceptance Form. If you have any questions about the New Shares being offered under this Prospectus, or any other matter relating to an investment in the Company, you should consult your professional adviser. An investment in the New Shares offered under this Prospectus is highly speculative.

This Prospectus is not for publication or distribution, directly or indirectly, in or into the United States of America (including its territories and possessions, any state of the US and the District of Columbia). This Prospectus is not an offer of securities for sale into the United States or to, or for the account or benefit of, US Persons. The securities referred to herein have not been and will not be registered under the US Securities Act of 1933, as amended, and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons. No public offering of securities is being made in the United States.

Important Notice

This Prospectus is dated 25 February 2016 and was lodged with ASIC on that date. Application will be made to ASX for quotation of the New Shares offered under this Prospectus.

Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Nature of this Prospectus

The New Shares offered under this Prospectus are in the same class of Shares that have been quoted on the official list of the ASX during the 12 months prior to the issue of this Prospectus.

This Prospectus is a 'transaction specific prospectus' to which the special content rules under section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to an offer of securities in a class which has been continuously quoted by ASX in the 3 months prior to the date of the prospectus. In general terms 'transaction specific prospectuses' are only required to contain information in relation to the effect of offer on the company and the rights attaching to the securities offered. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus contains information only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in it. It does not include all of the information that would be included in a prospectus for an initial public offer.

Prospectus availability

Eligible Shareholders can obtain a copy of this Prospectus at any time prior to the Closing Date on the Company's website at www.metallicaminerals.com.au or by contacting the Company. If you access an electronic copy of this Prospectus, you should ensure that you download and read the entire Prospectus.

The electronic copy of this Prospectus available from the Company's website will not include a personalised Entitlement and Acceptance Form. Eligible Shareholders will only be able to accept the Offer by completing the personalised Entitlement and Acceptance Form which accompanies this Prospectus or by making payment using BPAY® (refer to section 8.8 of this Prospectus for further information).

Foreign jurisdictions

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be

restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are residents in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Disclaimer of representations

No person is authorised to provide any information or make any representation in connection with the Offer which is not contained in this Prospectus.

Forward looking statements

This Prospectus contains forward looking statements that, despite being based on the Company's current expectations about future events, are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Directors. These known and unknown risks, uncertainties and assumptions, could cause actual results, performance or achievements to materially differ from future results, performance or achievements expressed or implied by forward-looking statements in this Prospectus. These risks, uncertainties and assumptions include, but are not limited to, the risks outlined in section 7 of this Prospectus. Forward-looking statements include those containing such words as 'anticipate', 'estimate', 'believe', 'should', 'will', 'may' and similar expressions.

Privacy

Please read the privacy information located in section 9.18 of this Prospectus. By submitting an Entitlement and Acceptance Form, you consent to the matters outlined in that section.

Definitions

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in section 13.

Enquiries

If you have any questions please call the Company Secretary on +61 7 3249 3000 at any time between 9.00am and 5.00pm (AEDT) Monday to Friday until the Closing Date. Alternatively, consult your broker, accountant or other professional adviser.

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Corporate Directory

Directors

Mr Barry Casson (Non Exec. Chairman)
Mr Andrew Gillies (Non Exec. Director)
Mr Shu Wu (Non Exec. Director)
Dr Shu Zhang (Alternative Director)

Chief Executive Officer

Mr Simon Slesarewich

Chief Financial Officer/Company Secretary

Mr John Haley

Principal and Registered Office

Ground Floor
71 Lytton Road
East Brisbane QLD 4169
Telephone: +61 7 3249 3000
Facsimile: +61 7 3249 3001

Website

www.metallicaminerals.com.au

Share Registry

Link Market Services
Level 15, 324 Queen Street
Brisbane QLD 4000

Telephone: 1300 554 474

Solicitors to the Offer

Kings Park Corporate Lawyers
Level 2, 45 Richardson Street
West Perth WA 6005

Lead Manager and Underwriter

CPS Capital Group Pty Ltd
Level 45
108 St Georges Terrace
Perth WA 6000

Auditor*

BDO Australia
Level 10, 12 Creek Street
Brisbane QLD 4001

*This party is named for informational purposes only and was not involved in the preparation of this Prospectus.

1 KEY INVESTMENT HIGHLIGHTS AND RISKS

1.1 Well-priced renounceable rights issue:

- Issue priced at \$0.03 per Share, a discount of:
 - 42% to the last traded price of \$0.052
 - 62% to the three month volume weighted average price of \$0.0798
- One free New Option issued for every two New Shares subscribed, with an exercise price of \$0.045 exercisable on or before 30 June 2017
- Shareholders can offer their rights for sale or apply for additional Shares in excess of their Entitlement - refer section 9.6 and 9.8

1.2 Important milestones:

- Sale of Limestone assets in 2015 for a combined \$1.9 million with balance of \$900,000 expected to be received mid-year.
- Spectacular graphite intersections at the Esmeralda Graphite project where mineralisation is open in all directions and recent drilling indicates potential to define a very large graphite deposit that could support a bulk mining operation.
- Finalisation of environmental studies and permitting, which is well underway at Urquhart direct shipping bauxite project where the Company is aiming to commence production next year, just as forecasts indicate growth in demand.
- Current cash position is approximately \$500,000.

1.3 Corporate achievements:

- Metallica has reduced its overhead costs and adjusted operations to maintain progress while taking advantage of lower costs and productivity improvements in the sector.
- Tight capital structure with no debt.

1.4 Key investment risks

Major investment risks to be considered by potential investors include:

- Usual development and permitting risks in bringing the Urquhart Bauxite Project into production
- Risks typically associated with small exploration companies, including market conditions, commodity prices and requirements for additional funding

Please refer to section 7 for details of the risk factors.

2 LETTER TO SHAREHOLDERS

I write to you as shareholders of this Company to seek your participation in this well-priced renounceable rights issue, which gives you the opportunity to maintain your exposure to Metallica in a way that is not possible through on-market share purchases.

This has been an exciting year for Metallica Minerals with a number of important milestones achieved

- sale of Limestone assets for \$1.9 million,
- encouraging results at Esmeralda Graphite project where mineralisation is open in all directions and recent drilling indicates potential to define a very large graphite deposit that could support a bulk mining operation,
- finalisation of environmental studies, with permitting well underway at the Urquhart bauxite project where the Company is aiming to commence production of direct shipping bauxite next year, just as forecasts indicate growth in demand

Metallica has reduced its overhead costs and adjusted operations to maintain progress while taking advantage of lower costs and productivity improvements in the sector.

The Company also expects the balance of \$900,000 from the sale of the Boyne Limestone tenements to be received by mid-year.

The Company is currently seeking to raise up to \$2,009,284 and is pleased to invite you to participate in the 2 for 5 renounceable pro rata entitlement offer at an issue price of \$0.03 per New Share.

The issue price is offered at a 42% discount to the last traded price of \$0.052 and a discount of 62% to the three month volume weighted average price of \$0.0798.

In addition to this, for every two New Shares issued, shareholders will receive one free attaching New Option with an exercise price of \$0.045 exercisable on or before 30 June 2017.

The Offer is partially underwritten by Lead Manager and Underwriter CPS Capital Group for \$200,000.

This Prospectus and personalised Entitlement and Acceptance Form should be read carefully and in their entirety before deciding whether to participate in this offer. In particular, Eligible Shareholders should consider the key risk factors outlined in section 7 of this Prospectus. These risks include risks associated with exploration, developing projects and that the Company will not succeed in finding additional projects.

The future for Metallica is very positive and your Board and Management are excited about delivering on the proposed milestones and creating value for Shareholders. We appreciate the ongoing support to date and invite your participation in the rights issue on offer.

Yours faithfully,



Barry J. Casson
Chairman

3 TIMETABLE TO THE OFFER¹

| | |
|---|------------------|
| Lodgement of the Prospectus with ASIC and ASX | 25 February 2016 |
| Ex-date | 1 March 2016 |
| Rights trading commences | 1 March 2016 |
| Record date to determine Entitlement (Record Date) | 3 March 2016 |
| Rights trading ends | 8 March 2016 |
| Deferred settlement trading commences | 9 March 2016 |
| Closing date for acceptances (Closing Date) | 16 March 2016 |
| Issue of New Shares | 23 March 2016 |
| Normal trading of New Shares expected to commence | 24 March 2016 |

¹ See section 9.7 for details of the timetable.

The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date, subject to such date being no later than 3 months after the date of this Prospectus. As such the date the New Shares are expected to commence trading on ASX may vary.

4 KEY OFFER TERMS AND CAPITAL STRUCTURE

| | |
|---|-------------|
| Shares currently on issue ¹ | 167,440,316 |
| Options currently on issue ^{1 and 2} | 8,000,000 |
| New Shares offered under this Prospectus at \$0.03 per New Share (approx.) ¹ | 66,976,127 |
| New Options offered under the Prospectus exercisable at \$0.045 on or before 30 June 2017. ³ | 33,488,064 |
| Maximum amount raised under this Prospectus (before costs) ¹ | \$2,009,284 |

¹ This assumes no further Shares are issued (including by way of exercise of Options) prior to the Record Date.

² See section 6.4 for a list of the Company's Options on issue.

³ See section 10.2 for full terms and conditions of the New Options.

5 INVESTMENT OVERVIEW AND KEY RISKS

This information is a selective overview only. Prospective investors should read the Prospectus in full before deciding to invest in New Shares.

| Question | Response | Where to find more information | | | | | | | | | |
|---|---|--------------------------------|---------------------|-------------------|--------------------------|-----------|-------------|-----------------------------|-----|-----------|-------------|
| What is the Offer? | <p>2 New Shares for every 5 Existing Shares held on the Record Date at an issue price of \$0.03 per New Share, with 1 free attaching New Option (exercisable at \$0.045 on or before 30 June 2017) for every 2 New Shares issued.</p> <p>Application will be made for the New Shares to be quoted on ASX.</p> <p>The Offer will raise up to \$2,009,284 (before costs) if fully subscribed.</p> | Section 6.1 | | | | | | | | | |
| Can I apply for Shortfall Securities? | <p>Any New Shares under the Offer that are not applied for by the Closing Date will become Shortfall Securities. The Shortfall Offer is an offer to issue Shortfall Securities and is a separate offer under this Prospectus.</p> <p>Eligible Shareholders can apply for Shortfall Securities in excess of their Entitlement by following the instructions in section 8.3. There is no guarantee that any Shortfall Securities will be issued to Eligible Shareholders under the Shortfall Offer.</p> | Section 9.8 | | | | | | | | | |
| Am I an Eligible Shareholder? | <p>The Offer is only made to Eligible Shareholders, who:</p> <p>(a) are the registered holders of Shares as at 7.00pm (AEDT) on the Record Date; and</p> <p>(b) have a registered address in Australia or New Zealand.</p> | Section 9.4 | | | | | | | | | |
| How will the proceeds of the Offer be used? | <p>The Company intends to use the funds raised from the Offer broadly as follows:</p> <table border="1"> <thead> <tr> <th>Use of funds</th> <th>Underwritten Amount</th> <th>Full Subscription</th> </tr> </thead> <tbody> <tr> <td>Urquhart Bauxite Project</td> <td>\$123,680</td> <td>\$1,000,000</td> </tr> <tr> <td>Graphite and SCONI projects</td> <td>Nil</td> <td>\$150,000</td> </tr> </tbody> </table> | Use of funds | Underwritten Amount | Full Subscription | Urquhart Bauxite Project | \$123,680 | \$1,000,000 | Graphite and SCONI projects | Nil | \$150,000 | Section 6.2 |
| Use of funds | Underwritten Amount | Full Subscription | | | | | | | | | |
| Urquhart Bauxite Project | \$123,680 | \$1,000,000 | | | | | | | | | |
| Graphite and SCONI projects | Nil | \$150,000 | | | | | | | | | |

| Question | Response | Where to find more information | | | | | | | | | | | | |
|--|---|--------------------------------|-----|-----------|-------------------------|-----|-----------|--------------------|----------|-----------|-------|-----------|-------------|--|
| | <table border="1"> <tr> <td data-bbox="515 349 858 416">New project evaluation</td> <td data-bbox="858 349 1046 416">Nil</td> <td data-bbox="1046 349 1228 416">\$100,000</td> </tr> <tr> <td data-bbox="515 416 858 483">General working capital</td> <td data-bbox="858 416 1046 483">Nil</td> <td data-bbox="1046 416 1228 483">\$634,871</td> </tr> <tr> <td data-bbox="515 483 858 551">Costs of the Offer</td> <td data-bbox="858 483 1046 551">\$76,320</td> <td data-bbox="1046 483 1228 551">\$124,413</td> </tr> <tr> <td data-bbox="515 551 858 629">Total</td> <td data-bbox="858 551 1046 629">\$200,000</td> <td data-bbox="1046 551 1228 629">\$2,009,284</td> </tr> </table> | New project evaluation | Nil | \$100,000 | General working capital | Nil | \$634,871 | Costs of the Offer | \$76,320 | \$124,413 | Total | \$200,000 | \$2,009,284 | |
| New project evaluation | Nil | \$100,000 | | | | | | | | | | | | |
| General working capital | Nil | \$634,871 | | | | | | | | | | | | |
| Costs of the Offer | \$76,320 | \$124,413 | | | | | | | | | | | | |
| Total | \$200,000 | \$2,009,284 | | | | | | | | | | | | |
| <p>What are the key risks of a subscription under the Offer?</p> | <p>An investment in the Company has risks that you should consider before making a decision to invest. These risks include:</p> <ul style="list-style-type: none"> • Financing - funds raised under the Offer will be used primarily to bring the Urquhart Bauxite Project to grant of a mining lease (including finalising environmental studies), complete metallurgical testing on the Esmeralda Graphite Project, identify new investment opportunities and for general working capital. The Company will be required to raise further funds for future operational activities. • Exploration risks - whilst the Company is of the view that exploration by the Company on its projects has yielded results that justify further drilling and exploration, the Company's tenements carry exploration risk. • Recovery of royalty payments - there is a risk that the Company will not receive the balance of the royalty payments due from its Lucky Break Nickel Project. <p>Please carefully consider these risks and the information contained in other sections of this Prospectus before deciding whether or not to apply for New Shares.</p> | Section 7 | | | | | | | | | | | | |
| <p>Is the Offer underwritten?</p> | <p>The Offer is partially underwritten by CPS Capital Group for up to 6,666,667 New Shares or \$200,000.</p> <p>The underwriting is conditional upon certain conditions and terminating events customarily found in underwriting agreements for issuers in the Company's circumstances.</p> | Section 9.5 | | | | | | | | | | | | |
| <p>Is the Offer subject to any conditions?</p> | <p>The Offer is not subject to any minimum subscription.</p> | Section 9.2 | | | | | | | | | | | | |

| Question | Response | Where to find more information |
|--|--|--------------------------------|
| <p>What will be the effect of the Offer on control of the Company?</p> | <p>The effect of the Offer on control of the Company will vary with the level of Entitlements taken up by Eligible Shareholders and the number of Shortfall Securities placed in the Shortfall Offer.</p> <p>Jien Mining Pty Ltd currently has a relevant interest in 40,099,678 million Shares, or 23.94% in the Company. In the event no Shares are subscribed for by other Eligible Shareholders and CPS Capital underwrite for \$200,000, then following the Offer, Jien Mining Pty Ltd will have a relevant interest of:</p> <ul style="list-style-type: none"> • 29.52% of the Company’s Shares if it takes up its Entitlement; or • 23.03% of the Company’s Share if it does not take up its entitlement. | <p>Section 0</p> |
| <p>How do I apply for New Shares and Shortfall Securities under the Offer?</p> | <p>Applications for New Shares and Shortfall Securities can be made by Eligible Shareholders completing the relevant sections of the personalised Entitlement and Acceptance Form and sending it to the Share Registry together with payment by cheque or BPAY in the amount of Entitlement and Shortfall Securities applied for.</p> | <p>Section 8.1</p> |
| <p>Can I sell my Entitlements?</p> | <p>Yes, the Offer is renounceable meaning Entitlement may be transferred.</p> | <p>Section 9.6</p> |
| <p>How will the Shortfall Securities be allocated?</p> | <p>The Underwriter has the sole right to nominate and determine who is to receive the Underwritten Shortfall Securities, following reasonable consultation with, and due consideration of any comments provided by, the Company.</p> <p>The Directors have absolute discretion to allocate Shortfall Securities that are not Underwritten Shortfall Securities.</p> | <p>Section 9.8</p> |
| <p>How can I obtain further advice?</p> | <p>Contact the Company Secretary on +61 7 3249 3000 at any time during business hours until the Closing Date. Alternatively, consult your broker or other professional adviser.</p> | |

6 PURPOSE AND EFFECT OF THE OFFER

6.1 Introduction

The Company is seeking to raise up to \$2,009,284 before issue costs by offering Eligible Shareholders 2 New Shares for every 5 Existing Shares held as at the Record Date at a price of \$0.03 per New Share, with 1 free attaching New Option (exercisable at \$0.045 on or before 30 June 2017) for every 2 New Shares issued.

The Offer is partially underwritten for up to \$200,000 or 6,666,667 New Shares. The lead manager and underwriter is CPS Capital Group.

6.2 Purpose of the Offer

The Directors intend to apply the proceeds from the Offer as follows:

| Use of funds (approximately) ¹ | Underwritten Amount \$200,000 | Full Subscription \$2,009,284 |
|---|----------------------------------|----------------------------------|
| Urquhart Bauxite Project | \$123,680 | \$1,000,000 |
| Graphite and SCONI projects | Nil | \$150,000 |
| General working capital ² | Nil | \$634,871 |
| New project evaluation | Nil | \$100,000 |
| Costs of the Offer ³ | \$76,320 | \$124,413 |
| Total use of funds | \$200,000 | \$2,009,284 |

Notes:

- 1 This table is a statement of the proposed application of the funds raised as at the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the Company's decisions. The Company reserves the right to vary the way funds are applied.
- 2 General working capital includes but is not limited to corporate administration and operating costs and may be applied to directors' fees, ASX and share registry fees, legal, tax and audit fees, insurance and travel costs.
- 3 See section 11.6 for further details relating to the estimated expenses of the Offer, including fundraising expenses.

In the event that the amount raised under this Prospectus is more than the Underwritten Amount but less than the Full Subscription, it is intended that the additional amount raised will be applied broadly proportionately to the table in 6.2.

6.3 Statement of financial position

Set out in section 14 is the un-audited Consolidated Statement of Financial Position of the Company and the Consolidated Pro-Forma Statement of Financial Position, as at 31 December 2015 and prepared on the basis of the following assumptions:

- (a) the Offer was effective on 31 December 2015;
- (b) expenses incurred by the Company between 31 December 2015 and the date of this Prospectus are \$188,000 and a reduction in trade and other payables of \$200,000, with a corresponding reduction in cash;
- (c) no further Shares are issued (including by way of exercise of Options) other than all Shares offered under this Prospectus;
- (d) take up of the Offer:
 - (i) Underwritten Amount; and
 - (ii) Full Subscription; and
- (e) costs of the Offer are \$76,320 (underwritten amount) and \$124,413 (full subscription).

The significant accounting policies upon which the Statement of Financial Position and the Pro-Forma Statement of Financial Position are contained in the annual financial report for year ended 30 June 2015.

As at the date of this prospectus the Company is yet to finalise its reviewed financial statements for the half-year ended 31 December 2015. In finalising the accounts, a decision may be made to further reduce the carrying value of the Company's Urquhart Point HMS Project.

6.4 Effect of the Offer on the Company's securities

Assuming that no Options are exercised prior to the Record Date, at the close of the Offer, the capital structure of the Company will be:

| Shares | Underwritten Amount | | Full Subscription | |
|--|---------------------|--------------|--------------------|--------------|
| | Number | % | Number | % |
| Existing Shares | 167,440,316 | 96.17 | 167,440,316 | 71.43 |
| New Shares offered under this Prospectus | 6,666,667 | 3.83 | 66,976,127 | 28.57 |
| Total Shares | 174,106,983 | 100.0 | 234,416,443 | 100.0 |

| Options | Underwritten Amount | Full Subscription |
|---|---------------------|-------------------|
| Unlisted Options (exercise price \$0.70 expiry 3 years from date of announcement to mine Kokomo or Lucknow Scandium deposits) | 1,000,000 | 1,000,000 |
| Unlisted Options (exercise price \$0.075 expiry 1 July 2016) | 2,000,000 | 2,000,000 |

| | | |
|--|-------------------|-------------------|
| Unlisted Options (exercise price \$0.10 expiry 31 December 2016) | 5,000,000 | 5,000,000 |
| Total existing Options | 8,000,000 | 8,000,000 |
| New Options offered under this Prospectus (exercise price \$0.045 on or before 30 June 2017) | 3,333,334 | 33,488,064 |
| Total Options following the Offer | 11,333,334 | 41,488,064 |

The terms of certain Options on issue may allow for the exercise price to change following a rights issue. The new exercise price for those Options will be announced following the ex date of the Offer.

6.5 Effect on control

There will be no effect on control of the Company if all Shareholders take up their Entitlement.

(a) Underwriter

CPS Capital has agreed to underwrite the Offer for up to \$200,000 or 6,666,667 million New Shares.

In the event that no Eligible Shareholders took up their rights under the Offer, CPS Capital may have a relevant interest of 3.83% in the Company.

(b) Others

Jien Mining Pty Ltd currently has a relevant interest in 40,099,678 million Shares, or 23.94% in the Company.

In the event no Shares are subscribed for by other Eligible Shareholders and CPS Capital underwrite for \$200,000, then following the Offer, Jien Mining Pty Ltd will have a relevant interest of:

- 29.52% of the Company's Shares if it takes up its Entitlement; or
- 23.03% of the Company's Share if it does not take up its entitlement.

As the offer is renounceable and to comply with ASX Listing Rule 7.7.1(c) and section 615 of the Corporations Act, the Company, subject to ASIC approval, will appoint CPS Capital as nominee to arrange for the sale of Entitlements that would have been given to Ineligible Shareholders and to account to them for the net proceeds of the sale.

(c) Dilution

Shareholders who do not participate in the Offer will have their holdings diluted. Following is a table which sets out the dilutionary effect assuming the Full Subscription is raised and no further Shares are issued or options exercised:

| Holder | Holding at Record Date | | | Holding following the Offer if no Entitlement taken up | |
|--------|------------------------|-------|-------------|--|-------|
| | Number | % | Entitlement | Number | % |
| 1 | 40,000,000 | 23.89 | 16,000,000 | 40,000,000 | 17.03 |
| 2 | 20,000,000 | 11.94 | 8,000,000 | 20,000,000 | 8.53 |
| 3 | 10,000,000 | 5.97 | 4,000,000 | 10,000,000 | 4.27 |
| 4 | 5,000,000 | 2.99 | 2,000,000 | 5,000,000 | 2.13 |

7 RISK FACTORS

The New Shares offered under this Prospectus are considered speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below and together with information contained elsewhere in this Prospectus and to consult with their professional advisers before deciding whether to apply for the New Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business and circumstances. In addition, there are general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the New Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.1 Risk specific to the Offer

(a) Future funding

The funds raised by the Offer will primarily be used to bring the Urquhart Bauxite Project to grant of a mining lease (including finalising environmental studies), complete metallurgical testing on the Esmeralda Graphite Project, identify new investment opportunities and for general working capital. The Company will be required to raise further funds for future operational activities. There is a risk that further raisings may not be on terms favourable to, or dilute, existing Shareholders.

(b) Dilution

Shareholders who do not take up their Entitlement will have their holding in the Company diluted. Details of dilution are set out in section 6.5(c) above.

(c) Control

The Directors have taken reasonable steps to ensure a reasonable distribution of voting power under the Offer, including the appointment of CPS Capital as Lead Manager and Underwriter. However, assuming some shareholders take up their Entitlement and others do not, there is a risk that voting power may be

consolidated among fewer shareholders and the interests of these Shareholders may not align with other Shareholders' interests.

7.2 Company and industry risks

The risks outlined below are specific to the Company's operations and to the resource exploration industry in which the Company operates.

(a) Going concern

The Company's management financial statements for the period ending 31 December 2015 have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The Consolidated Entity incurred losses of \$5,694,565 and had net cash outflows from operating activities of \$1,587,182 and net cash inflow from investing activities of \$784,787 for the half year ended 31 December 2015.

The ability of the Company to continue as a going concern is principally dependent upon the Company raising additional capital and/or successful exploration and subsequent exploitation of areas of interest through sale or development.

If the Consolidated Entity is not able to dispose of non-core assets when required or manage its expenditure so as to conserve cash over the coming 12 months, the Company may need to raise additional funds.

(b) Exploration, Development and Production Risks

Tenements in which the Company has an interest are at various stages of exploration and development and potential investors should understand that mineral exploration is a high risk undertaking. There can be no assurance that exploration of the project areas described in this Prospectus, or any other permits that the Company may acquire an interest in, will result in the discovery of an economic mineral reserve. Even if an apparently viable reserve is identified, there is no guarantee that it can be commercially exploited.

Even if the Company recovers potentially commercial minerals, there is no guarantee that it will be able to successfully transport the minerals to commercially viable markets or sell the minerals to customers to achieve a commercial return.

In addition, with respect to operations, the Company operates in some remote locations within Australia and challenging geographical conditions. Therefore some exploration and development costs maybe higher in such jurisdictions due to a number of factors including limitations on the number of available suppliers of services required by the Company, climatic and geographical conditions. The Company has a careful tender process for drilling and exploration programs. However, no assurances can be given that Metallica will be successful in mitigating all of these risks and there is a risk that exploration costs may escalate beyond budget anticipations.

As previously announced to ASX, the Company is awaiting metallurgical test results for its Esmeralda Project. There is a risk that these results may not be favourable.

(c) Tenement Risks

All mining licences and exploration permits in which the Company has an interest will require renewal from time to time. Given that the terms on which the Company's permits are granted or renewed (if at all) are generally at the discretion of the relevant governmental or administrative authority, there is a risk that any exploration permit held by the Company may not be renewed in the future, or that any application for grant may be refused, and that Metallica may be unable to comply with legislative or regulatory requirements to retain title to its permits or applications. If for any reason a licence or permit is not renewed then the Company may suffer damage and as a result may be denied the opportunity to develop certain mineral resources.

Tenements carry with them various obligations in regard to minimum expenditure levels and responsibilities in respect of the environment and safety. Failure to observe these requirements could prejudice the right to maintain a permit for a given tenement. As a means of managing its expenditure obligations on its Tenements, the Company constantly reviews its exploration portfolio, ensuring that it keeps the most prospective areas having regard to its finances and plans. Part of this review may involve reducing its landholding over time.

As previously announced to ASX, the Company is awaiting the grant of a mining lease with respect to its Urquhart Bauxite Project. There is a risk that a lease may not be granted or granted on terms unfavorable to the Company.

(d) Proceedings against privately owned company

Metallica announced on 12 January 2015 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 Company's Dingo Dam Mining Lease in Queensland (part of the Company's Lucky Break Nickel Project). Under the agreement, the royalty payable to Metallica included three payments totaling \$650,000 and an additional payment of \$4 per tonne for any tonnages above 130,000 tonnes of nickel ore extracted.

The Company has received payments totaling \$450,000 under the agreement. The company has commenced proceedings to recover a \$200,000 royalty payment that is outstanding from the privately owned company.

The privately owned company has since entered into voluntary administration. The Company believes that there is little to no prospect of recovering the outstanding royalty payment.

(e) Environmental Risks

The Company's operations and projects are subject to Australian Commonwealth and State laws and regulations regarding environmental compliance and relevant hazards. These laws and regulations set standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards. They also establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted.

As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly in advanced exploration or mine development. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws and where possible, by carrying appropriate insurance coverage.

Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

There is a risk that environmental laws and regulations become more onerous making the Company's operations more expensive.

(f) Access risk and native title

Access to land for exploration purposes can be adversely affected by land ownership, including private (freehold) land, pastoral lease and native title land or claims under the Native Title Act 1993 (Cth) (NTA) (or similar legislation in the jurisdiction where the Company operates). The effect of the NTA is that existing and new tenements held by Metallica may be affected by native title claims and procedures.

There is a potential risk that a determination could be made that native title exists in relation to land the subject of a tenement held by Metallica which may affect the operation of Metallica's business and development activities. In the event that it is determined that native title does exist or a native title claim has been registered, Metallica may need to comply with procedures under the NTA in order to carry out its operations or to be granted any additional rights required.

Such procedures may take considerable time, involve the negotiation of significant agreements, may involve access rights, and require the payment of compensation to those persons holding or claiming native title in the land the subject of a tenement. The involvement in the administration and determination of native title issues may have a material adverse impact on the position of Metallica in terms of cash flows, financial performance, business development, ability to pay dividends and the share price.

The Company has negotiated an Indigenous Land Use Agreement with the Gugu Badhun People as the Traditional Landowners covering all of Metallica's southern NORNICO tenements. This agreement was approved by the Native Title Tribunal and is valid until 2025. Under the terms of the agreement, the Company is required to pay an annual rent fee for each exploration permit within the area covered by the agreement in addition to paying members of a cultural heritage survey/monitoring team and a liaison committee. The Company suspended the project and agreement, including payments under the agreement from late 2013.

(g) Joint venture, acquisitions or other strategic investments

Oresome Australia Pty Ltd, a wholly owned subsidiary of the Company, has entered into a joint venture agreement with Ozore Resources Pty Ltd to develop the Urquhart Bauxite Project, Urquhart Point Heavy Mineral Sands Project and explore for other Heavy Mineral Sands and Bauxite deposits within the joint venture tenements on the western side of Queensland's Cape York Peninsula. The Company may also in the future become a party to other joint venture agreements governing the exploration and development of its projects. There is a risk that one of the Company's joint venture partners may default in their joint venture obligations or not act in the best interests of the joint venture. This may have an adverse effect on the interests and prospects of the Company.

Metallica is actively pursuing investment opportunities beyond its historic Queensland base to deliver new value adding projects. However, there is a risk that the Company may not be successful in finding suitable projects. While the Company will spend money evaluating and assessing new opportunities, these opportunities may not be suitable for the Company. This could adversely impact on the assets, operations and financial performance of the Company and its securities.

(h) Ability to attract new Investors

The Company is currently in ongoing discussions with an established nickel company for a possible joint venture partnership on the SCONI Project. It is also seeking a potential investment on the Cape Flattery Silica Sands Project and its remaining Fairview Limestone Project.

While the Company will use its best endeavours to negotiate satisfactory terms with the potential investors, the Company cannot guarantee that it will reach final agreement with the potential investors in order to enter into any binding agreements.

(i) Operational risks

The operations of Metallica may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including geological conditions, environmental hazards, technical and equipment failures, flooding and extended interruptions due to inclement or hazardous weather or other physical conditions, unavailability of drilling equipment, unexpected shortages of consumables or parts and equipment, fire, explosions and other incidents beyond control of Metallica.

(j) Commodity prices

As an explorer for bauxite, zircon-rutile, nickel-cobalt-scandium and graphite and potentially other minerals, any earnings of the Company are expected to be closely related to the price of these commodities.

Commodities prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include worldwide and regional supply and demand for commodities, general world economic conditions and the outlook for interest rates, inflation, foreign exchange rates and other economic factors on both a regional and global basis. These factors may have a positive or negative effect on the Company's exploration, project development and production plans and activities, together with the ability to fund those plans and activities.

(k) Key People

The responsibility of overseeing the Company's operations and strategic management depends substantially on its Directors and key personnel. There can be no assurance that there will not be a detrimental impact on the Company if one or more of these persons cease their employment or involvement with the Company.

7.3 General investment risks

The risks outlined below are some of the general risks that may affect an investment in the Company.

(a) Securities investments and share market conditions

There are risks associated with any securities investment. The prices at which the securities trade may fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for exploration and mining companies may experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of such companies. These factors may materially adversely affect the market price of the securities of the Company regardless of the Company's operational performance. Neither the Company nor the Directors warrant the future performance of the Company, or any return of an investment in the Company.

(b) Liquidity risk

The market for the Company's Shares may be illiquid. As a consequence investors may be unable to readily exit or realise their investment.

(c) Economic risk

Changes in Australia and world economic conditions may adversely affect the financial performance of the Company. Factors such as inflation, currency fluctuations, interest rates, industrial disruption and economic growth may impact on future operations and earnings. The Company's possible revenues and price of its securities can be affected by these factors which are beyond the control of the Company and its Directors.

8 ACTIONS REQUIRED BY ELIGIBLE SHAREHOLDERS

8.1 What you may do

As an Eligible Shareholder, you may:

- (a) subscribe for all or part of your Entitlement (see section 8.2);
- (b) subscribe for all of your Entitlement and apply for Shortfall Securities (see section 8.3);
- (c) sell all of your Entitlement on ASX (see section 8.4);
- (d) take up part of your Entitlement and sell the balance on ASX (see section 8.5);
- (e) deal with part or all of your Entitlement other than on ASX (see section 8.6); or

(f) allow all or part of your Entitlement to lapse (see section 8.7).

8.2 Subscribe for all or part of your Entitlement

Applicants should read this Prospectus in its entirety in order to make an informed decision on the prospects of the Company and the rights attaching to the New Shares offered by this Prospectus before deciding to apply for New Shares. If you do not understand this Prospectus you should consult your stockbroker, accountant or other professional adviser in order to satisfy yourself as to the contents of this Prospectus.

If you wish to subscribe for all or part of your Entitlement, complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on that form. The Entitlement and Acceptance Form sets out the number of New Shares you are entitled to subscribe for.

8.3 Subscribe for all of your Entitlement and apply for Shortfall Securities

Eligible Shareholders who take up their Entitlement in full may, in addition to their Entitlement, apply for Shortfall Securities regardless of the size of their present holding by completing the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on that form. See section 9.8 for details of the manner in which Shortfall Securities will be allocated.

Surplus application moneys will be returned to Applicants as soon as practicable following the close of the Offer.

8.4 If you wish to sell all of your Entitlement

Complete the section marked "Instructions to Stockbroker" on the Entitlement and Acceptance Form, which accompanies this Prospectus, in accordance with the instructions contained on the form and lodge it with your stockbroker as soon as possible.

Rights trading will commence on ASX on 1 March 2016. Sale of your Rights must be completed by 8 March 2016 when Rights trading is expected to cease.

8.5 If you wish to take up part of your Entitlement and sell the balance

Please complete the Entitlement and Acceptance Form, which accompanies this Prospectus, by inserting the number of New Shares for which you wish to accept (being less than as specified on the Application Form) and complete the section marked "Instructions to Stockbroker" on the back of the form in respect of that part of your Entitlement you wish to sell.

Forward the form to your stockbroker together with your cheque for the total amount payable in respect of the New Shares accepted. Your stockbroker will need to ensure that the completed Application Form reaches the Company's share registry, by 5.00pm AEDT on 16 March 2016. Cash will not be accepted and no receipts will be issued.

Rights trading will commence on ASX on 1 March 2016. Sale of your Rights must be completed by 8 March 2016 when Rights trading is expected to cease.

8.6 If you wish to transfer your Entitlement other than on ASX

If you are a Shareholder and hold Existing Shares on the issuer sponsored sub-register, forward a completed renunciation form (obtainable through your stockbroker or the

Company's share registrar) together with your Entitlement and Acceptance Form completed by the transferee together with a cheque for the appropriate Application monies to reach the Company's share registry, by 5.00pm AEDT on 16 March 2016.

If you are a Shareholder and hold Existing Shares registered on CHESS, you should contact your sponsoring broker.

Cash will not be accepted and no receipts will be issued.

8.7 Allow all or part of your Entitlement to lapse

If you are an Eligible Shareholder and do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

If you take no action, your Entitlement will lapse. You will receive no benefit or New Shares and your Entitlement will become Shortfall Securities.

If you wish to receive a benefit, you must take action to accept your Entitlement in accordance with the instructions above and on the accompanying personalised Entitlement and Acceptance Form.

The number of Existing Shares you hold as at the Record Date and the rights attached to those Existing Shares will not be affected if you choose not to accept any of your Entitlement.

8.8 Payment methods

BPAY

If you are paying by BPAY, refer to your personalised instructions on your Entitlement and Acceptance Form. Shareholders who wish to pay by BPAY must ensure that payment is received by no later than 5.00pm AEDT on the Closing Date.

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY are received by 5.00pm AEDT on the Closing Date.

If you have more than one shareholding and consequently receive more than one Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those shareholdings only use the Customer Reference Number specific to that shareholding as set out in the applicable Entitlement and Acceptance Form. Do not use the same Customer Reference Number for more than one of your shareholdings. This can result in your application monies being applied to your Entitlement in respect of only one of your shareholdings (with the result that any application in respect of your remaining shareholdings will not be recognised as valid).

The Company will not be responsible for any postal or delivery delays or delay in the receipt of the BPAY payment.

Cheque, bank draft or money order

Alternatively, if you are paying by cheque, bank draft or money order, the completed Entitlement and Acceptance Form must be accompanied by a cheque, bank draft or money order made payable to 'Metallica Minerals Limited' and crossed 'Not Negotiable' for the appropriate application money in Australian dollars calculated at \$0.03 per New Share

accepted. Your cheque, bank draft or money order must be paid in Australian currency and be drawn on an Australian branch of an Australian financial institution. The Company will present the cheque or bank draft on the day of receipt of the Entitlement and Acceptance Form. You must ensure that your cheque account has sufficient funds to cover your payment, as your cheque will be presented for payment on receipt. If your bank dishonours your cheque your application will be rejected. Dishonoured cheques will not be represented.

If the amount of your cheque(s), bank draft(s) or money order(s) for application money (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is insufficient to pay for the number of New Shares you have applied for in your Entitlement and Acceptance Form, you may be taken to have applied for such lower number of New Shares as your cleared application money will pay for (and to have specified that number of New Shares in your Entitlement and Acceptance Form) or your Application may be rejected.

The Entitlement and Acceptance Form must be received by the Company at either of the following addresses by no later than 5.00pm (AEDT) on the Closing Date:

| By Post To: | By Delivery To: |
|---|--|
| Metallica Minerals Limited C/- Link Market Services Limited GPO Box 3560 Sydney NSW 2001 | Metallica Minerals Limited C/- Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138 |

8.9 Entitlement and Acceptance Form is binding

Receipt of a completed and lodged Entitlement and Acceptance Form together with a cheque for the application monies, or by making a payment in respect of an Application by BPAY, constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Prospectus and, once lodged, cannot be withdrawn.

By completing and returning your Entitlement and Acceptance Form with the requisite application monies, or by making a payment in respect of an Application by BPAY, you will be deemed to have represented that you are an Eligible Shareholder. In addition, you will also be deemed to have represented and warranted on behalf of yourself or each person on whose account you are acting that the law in your place of residence and/or where you have been given the Prospectus, does not prohibit you from being given the Prospectus and that you:

- (a) agree to be bound by the terms of the Offer;
- (b) declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- (c) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement and Acceptance Form;
- (d) authorise the Company and its respective officers or agents, to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Company's share registry upon using the contact details set out in the Entitlement and Acceptance Form;

- (e) declare that you are the current registered holder of Shares and are an Australian or New Zealand resident, and you are not in the United States or a US Person, or acting for the account or benefit of a US Person;
- (f) acknowledge that the information contained in, or accompanying, the Prospectus is not investment or financial product advice or a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs; and
- (g) acknowledge that the New Shares have not, and will not be, registered under the securities laws in any other jurisdictions outside Australia and New Zealand and accordingly, the New Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of applicable securities laws in particular the US Securities Act.

The Entitlement and Acceptance Form does not need to be signed to be a valid application. An Application will be deemed to have been accepted by the Company upon the issue of the New Shares.

If the Entitlement and Acceptance Form is not completed correctly or if the accompanying payment of the application monies is for the wrong amount, it may still be treated as a valid application for New Shares. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final. However, an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the application monies received by the Company.

9 DETAILS OF THE OFFER

9.1 Shares offered for subscription

By this Prospectus the Company makes a renounceable pro rata offer to Eligible Shareholders of 2 New Shares for every 5 Existing Shares held as at the Record Date at a price of \$0.03 per New Share with 1 free attaching New Option (exercisable at \$0.045 on or before 30 June 2017) for every 2 New Shares issued, to raise up to approximately \$2,009,284 before issue costs. Fractional entitlements will be rounded up to the nearest whole number.

The Offer is only open to Eligible Shareholders. The Company reserves the right to reject any application that it believes comes from a person who is not an Eligible Shareholder.

Details of how to apply for New Shares are set out at section 8.

All New Shares offered under this Prospectus will rank equally with Existing Shares. The rights and liabilities of the New Shares are summarised in section 10.

9.2 Minimum subscription

The Offer is not subject to a minimum subscription.

9.3 Acceptances

This Offer may be accepted in whole or in part prior to the Closing Date subject to the rights of the Company to extend the Offer period.

Instructions for accepting your Entitlement are set out in section 8 and on the Entitlement and Acceptance Form which accompanies this Prospectus.

9.4 Entitlement to Offer

The Offer is made to Eligible Shareholders, who are those Shareholders that:

- (a) are the registered holder of Shares as at 7.00pm (AEDT) on the Record Date; and
- (b) have a registered address in Australia or New Zealand.

9.5 Lead Manager and Underwriter

CPS Capital Group is acting as lead manager and will partially underwrite the issue of up to 6,666,667 Shortfall Securities or \$200,000 (**Underwritten Amount**).

CPS Capital Group will be paid a fee for managing and underwriting the Offer, details of which are set out in sections 11.3 and 11.6.

The Company will also be required to reimburse the Underwriter for all of the reasonable costs incurred in relation to the Offer.

The underwriting of the Offer is conditional upon satisfaction or waiver by the Underwriter of the certain conditions ordinarily found in an agreement of this type, including that:

- (a) the Company has (subject to certain limitations, including where the loss arises through the Underwriter performing its underwriting obligation) agreed to indemnify the Underwriter, its officers, employees, advisers and related bodies corporate, and the officers, employees and advisers of any of its related bodies corporate against losses suffered or incurred in connection with the Offer;
- (b) the Company and the Underwriter have given representations, warranties and undertakings in connection with (among other things) the conduct of the Offer;
- (c) the Underwriter may (in certain circumstances, including having regard to the materiality of the relevant event) terminate the Underwriting Agreement and be released from their obligations under it on the occurrence of certain events, including (but not limited to) where any of the following events has a material adverse effect or could give rise to a liability of the Underwriter under the Corporations Act or otherwise:
 - (i) the S&P ASX 200 Index is at any time after the date of the Underwriting Agreement 5% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement;
 - (ii) the closing price of Shares as quoted by the ASX on any two consecutive days prior to the allotment of New Shares is less than the Price;
 - (iii) an event occurs which gives rise to a material adverse effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or

operations of any relevant company including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;

- (iv) any of the material contracts or contracts described in this Prospectus (other than the Underwriting Agreement) is breached, not complied with according to its terms, terminated or substantially modified;
- (v) there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Russia, the United Kingdom, the United States of America, or the Peoples Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world; or
- (vi) a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

9.6 Rights trading

The Rights to Shares are renounceable, which enables Shareholders who do not wish to take up some or all of their Entitlements to sell or otherwise transfer all or part of their Entitlement. Trading of Rights on the ASX is expected to commence on 1 March 2016 and end on 8 March 2016.

9.7 Timetable

The timetable for the Offer is as follows:

| | |
|---|------------------|
| Lodgement of the Prospectus with ASIC and ASX | 25 February 2016 |
| Ex-date | 1 March 2016 |
| Rights trading commences | 1 March 2016 |
| Record date to determine Entitlement (Record Date) | 3 March 2016 |
| Prospectus with Entitlement and Acceptance Form dispatched | 4 March 2016 |
| Offer opens for receipt of Applications | 4 March 2016 |
| Rights trading ends | 8 March 2016 |
| Deferred settlement trading commences | 9 March 2016 |
| Closing date for acceptances (Closing Date) | 16 March 2016 |

| | |
|---|---------------|
| Notify ASX of Shortfall | 21 March 2016 |
| Issue of New Shares | 23 March 2016 |
| Deferred settlement trading ends | 23 March 2016 |
| Dispatch of transaction statements | 24 March 2016 |
| Normal trading of New Shares expected to commence | 24 March 2016 |
| Last date to issue Shortfall Securities (see section 9.8) | 16 June 2016 |

The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date, subject to such date being no later than 3 months after the date of this Prospectus. As such the date the New Shares are expected to commence trading on ASX may vary.

9.8 Shortfall

Any New Shares not applied for under the Offer will become Shortfall Securities. The Directors reserve the right to issue any Shortfall Securities within 3 months after the Closing Date (**Shortfall Offer**).

The Shortfall Offer is, to the extent it is made in Australia, made under this Prospectus. To the extent the Shortfall Offer is made outside Australia, the Shortfall Offer is made without disclosure, a prospectus, lodgement, filing or registration, or other requirements of any applicable securities law, and only in circumstances where it is lawful to do so (such as to institutional or sophisticated investors).

Eligible Shareholders may apply for Shortfall Securities by completing the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on that form. Other investors who are not Eligible Shareholders may apply for Shortfall Securities by completing the Shortfall Application Form attached to this Prospectus. Persons outside Australia doing so represent to the Company that they can apply for Shortfall Securities in circumstances which do not require the offer for Shortfall Securities or this Prospectus to be registered.

It is possible that there may be no Shortfall Securities available for issue. The Underwriter has the sole right to nominate and determine who is to receive the Underwritten Shortfall Securities, following reasonable consultation with, and due consideration of any comments provided by, the Company.

The Directors reserve the right at their absolute discretion to reject any application for Shortfall Securities or to issue a lesser number of Shortfall Securities than that applied for, and it is an express term of the Shortfall Offer that applicants for Shortfall Securities will be bound to accept a lesser number of Shortfall Securities allocated to them than applied for. If a lesser number is allocated, excess application money will be refunded without interest as soon as practicable after the Closing Date.

9.9 Offer outside Australia and New Zealand

Recipients may not send or otherwise distribute this Prospectus or the Entitlement and Acceptance Form to any person outside Australia and New Zealand.

9.10 Treatment of Ineligible Shareholders

Given the small number of Ineligible Shareholders and the cost of complying with applicable regulations in those jurisdictions, the Company has decided that it would be unreasonable to extend the Offer to Ineligible Shareholders. The Prospectus will not be sent to those Shareholders.

(a) New Zealand

The Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Shares. This Prospectus has not been registered, filed or approved by any New Zealand regulatory authority. This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

(b) Elsewhere

This Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offer. No action has been taken to register or qualify the New Shares or the Offer or otherwise to permit an offering of the New Shares in any jurisdiction other than as set out in this section.

This document is not for publication or distribution, directly or indirectly, in or into the United States of America (including its territories and possessions, any state of the US and the District of Columbia). This document is not an offer of securities for sale into the United States or to, or for the account or benefit of, US Persons. The securities referred to herein have not been and will not be registered under the US Securities Act, and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons. No public offering of securities is being made in the United States.

Recipients may not send or otherwise distribute this Prospectus or the Entitlement and Acceptance Form to any person outside Australia or New Zealand (other than to Eligible Shareholders).

9.11 Appointment of nominee

As the Offer is renounceable and for the purposes of Listing Rule 7.7.1(c) and section 615 of the Corporations Act, the Company, subject to ASIC approval, will appoint CPS Capital as nominee to arrange for the sale of the Entitlements that would have been given to Ineligible Shareholders and to account to them for the net proceeds of the sale.

The proceeds of sale (in Australian dollars) will be distributed to the Ineligible Shareholders for whose benefits the Entitlements have been sold in proportion to their shareholdings as at the Record Date (after deducting the costs of the sale).

9.12 Beneficial holders, nominees, trustees and custodians

Nominees and custodians that hold Shares should note that the Offer is available only to Eligible Shareholders. The Company is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of securities. If any nominee or custodian is acting on behalf of a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Offer is compatible with applicable foreign laws.

9.13 Issue of New Shares and application money

New Shares will be issued only after ASX has granted permission for the New Shares to be quoted. It is expected that New Shares will be issued on 23 March 2016 and normal trading of the New Shares on ASX is expected to commence on 24 March 2016.

All application monies will be deposited into a separate bank account of the Company and held in trust for Applicants until the New Shares are issued or application monies returned. Any interest that accrues will be retained by the Company and will not be paid to Applicants.

9.14 Quotation

The Company will apply for quotation of the New Shares offered by this Prospectus on ASX within 7 days from the date of the Prospectus. If ASX does not grant permission for the quotation of the New Shares offered under this Prospectus within 3 months after the date of this Prospectus, or such longer period as modified by ASIC, none of the New Shares offered by this Prospectus will be issued. In these circumstances, all Applications will be dealt with in accordance with the Corporations Act including the return of all application monies without interest.

A decision by ASX to grant official quotation of the New Shares is not to be taken in any way as an indication of ASX's view as to the merits of the Company or of the New Shares.

Quotation, if granted, of the New Shares offered by this Prospectus will commence as soon as practicable after statements of holdings of the New Shares are dispatched.

9.15 Market prices of Existing Shares on ASX

The highest and lowest market sale price of the Existing Shares, which are on the same terms and conditions as the New Shares being offered under this Prospectus, during the 3 months immediately preceding the lodgement of this Prospectus with the ASIC, and the last market sale price on the date before the lodgement date of this Prospectus, are set out below.

| | 3 month high | 3 month low | Last market sale price |
|---------------|---------------------|--------------------|-------------------------------|
| Price (cents) | \$0.11 | \$0.049 | \$0.052 |

9.16 CHESS

The Company participates in the Clearing House Electronic Subregister System (**CHESS**). CHESS is operated by ASX Settlement Pty Ltd (**ASPL**), a wholly owned subsidiary of ASX.

Under CHESS, the Company does not issue certificates to investors. Instead, security holders will receive a statement of their holdings in the Company, including New Shares issued under this Prospectus. If an investor is broker sponsored, ASPL will send a CHESS statement.

The CHESS statement will set out the number of New Shares issued under this Prospectus, provide details of your holder identification number and give the participation identification number of the sponsor.

If you are registered on the issuer sponsored sub register, your statement will be dispatched by the Company's share registrar and will contain the number of New Shares issued to you under this Prospectus and your security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

9.17 Taxation and duty implications

The Directors do not consider that it is appropriate to give Shareholders advice regarding the taxation consequences of the Company conducting the Offer or Shareholders applying for New Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation positions of Shareholders. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Shareholders in the Offer. Shareholders should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Offer.

No brokerage or stamp duty is payable by Applicants in respect of Applications for New Shares under this Prospectus.

9.18 Privacy

The Company collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related body corporates, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

The Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public register. The

information contained in the Company's public register must remain there even if that person ceases to be a Shareholder. Information contained in the Company's register is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application. An Applicant has the right to gain access to the information that the Company holds about that person subject to certain exceptions under law. A fee may be charged for access. Such requests must be made in writing to the Company's registered office.

9.19 Enquiries

Any queries regarding the Offer should be directed to Mr John Haley, Chief Financial Officer/Company Secretary on +61 7 3249 3000.

Any queries regarding the Entitlement and Acceptance Form should be directed to the Share Registry on 1300 554 474.

You can also contact your stockbroker or professional adviser with any queries in relation to the Offer.

10 RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

10.1 Rights and liability attaching to Shares

Full details of the rights and liabilities attaching to the Shares are:

- detailed in the Constitution, a copy of which can be inspected, free of charge, at the registered office of the Company during normal business hours; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules and the general law.

The following is a summary of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

(a) Voting rights

Subject to any rights or restrictions at the time being attached to any class or classes of shares, at a general meeting of the Company every member has one vote on a show of hands and one vote upon a poll. Voting may be in person or by proxy, attorney or representative.

(b) Dividends

Subject to the Corporations Act, the Listing Rules and any rights or restrictions attached to a class of shares, the Company may pay dividends as the Directors resolve.

The Directors may determine the method and time for payment of the dividend.

(c) Winding up

Subject to any rights or restrictions attached to a class of shares, on a winding up of the Company, any surplus must be divided among the Shareholders in the proportion to the shares held by them. Subject to any rights or restrictions attached to a class of shares, on a winding up of the Company, the liquidator may, with the sanction of a special resolution of the Shareholders:

- (i) distribute among Shareholders the whole or any part of the property of the Company; and
- (ii) decide how to distribute the property as between the Shareholders or different classes of Shareholders.

(d) Transfer of Shares

Generally, Shares in the Company are freely transferable, subject to formal requirements, and to the registration of the transfer not resulting in a contravention of, or failure to observe, the provisions of a law of Australia. The Directors may decline to register a transfer where:

- (i) the registration of the transfer would result in a contravention of or failure to observe the provisions of a law of a State or Territory or of the Commonwealth;
- (ii) the Company has a lien on the shares the subject of the transfer;
- (iii) the transfer is in respect of a partly paid share in respect of which a call has been made and is unpaid;
- (iv) the transfer would, at the date of acquisition create a new shareholding of less than a Marketable Parcel, provided that there shall be no restriction on the transfer of shares lodged for registration in the name of the nominee company of a stock broker who is recognised as an "odd lot" broker by the ASX; and
- (v) more than 3 persons are to be registered as joint holders except in the case of executors or trustees of a deceased shareholder.

(e) Issue of further Shares

The Directors may, subject to any restrictions imposed by the Constitution, Listing Rules and the Corporations Act, allot, issue and grant options over further Shares, on such terms and conditions as they see fit.

(f) Directors

The existing Directors may appoint a new Director to fill a casual vacancy or as an addition to the Board.

Any such Director must retire at the next following annual general meeting of the Company (at which meeting he or she may be eligible for election as a Director).

The Constitution contains provisions relating to the rotation and election of directors. No Director other than the Managing Director may hold office later than

the third annual general meeting after his or her appointment or election without submitting himself or herself for re-election.

(g) Variation of Shares and rights attaching to Shares

Shares may be converted or cancelled with member approval and the Company's share capital may be reduced in accordance with the requirements of the Corporations Act.

(h) Changes to the Constitution

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(i) Listing Rules

Provided the Company remains admitted to the official list of the ASX, then despite anything in the Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. If as a result of an amendment to the Listing Rules, there is an inconsistency between the Constitution and the Listing Rules, the Company shall, subject to the Corporations Act, do all things necessary to change the Constitution to remove the inconsistency as soon as possible and in any event, at the first general meeting of the Company held after the date on which the relevant amendment the Listing Rules comes into operation.

10.2 New Options

The free attaching Options to be issued pursuant to the Offer entitles the holder to subscribe for Shares on the following terms and conditions:

- (a) The exercise price of each Option is \$0.045 (**Exercise Price**);
- (b) The Options will expire on 30 June 2017 (**Expiry Date**) unless earlier exercised;
- (c) The Options may be exercised at any time wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the Exercise Price per Option to the Company at any time on or after the date of issue of the Options and on or before the Expiry Date;
- (d) The minimum number of Options that may be exercised at one time must be not less than 11,111 (with a total Exercise Price of \$500);
- (e) Upon the valid exercise of the Options and payment of the Exercise Price, the Company will issue fully paid ordinary shares ranking *pari passu* with the then issued ordinary shares;
- (f) Option holders do not have any right to participate in new issues of securities in the Company made to shareholders generally. The Company will, where required pursuant to the Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the Listing Rules.

- (g) Option holders do not participate in any dividends unless the Options are exercised and the resultant shares of the Company are issued prior to the record date to determine entitlements to the dividend;
- (h) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - (i) the number of Options, the Exercise Price of the Options, or both will be reconstructed (as appropriate) in a manner consistent with the Listing Rules as applicable at the time of reconstruction, but with the intention that such reconstruction will not result in any benefits being conferred on the holders of the Options which are not conferred on Shareholders; and
 - (ii) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of Shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged;
- (i) If there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

$$O_n = \frac{O - E [P - (S + D)]}{N + 1}$$

Where:

- O_n = the new exercise price of the Option;
 - O = the old exercise price of the Option;
 - E = the number of underlying securities into which one Option is exercisable;
 - P = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex right date or the ex entitlements date;
 - S = the subscription price for a security under the pro rata issue;
 - D = dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue);
 - N = the number of securities with rights or entitlements that must be held to receive a right to one new security.
- (j) If there is a bonus issue to the holders of Shares in the Company, the number of Shares over which the Option is exercisable may be increased by the number of Shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue;
 - (k) The terms of the Options may only be changed if holders (whose votes are not to be disregarded) of Shares in the Company approve of such a change. However, the terms of the Options must not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options;
 - (l) The Company must apply for listing of the resultant Shares of the Company issued upon exercise of any Option.

11 ADDITIONAL INFORMATION

11.1 Continuous disclosure obligations

The Company is a 'disclosing entity' (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities. The New Shares which will be issued pursuant to this Prospectus are in the same class of Shares that have been quoted on the official list of the ASX during the 12 months prior to the issue of this Prospectus.

This Prospectus is a "transaction specific prospectus" to which the special content rules under section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to an offer of securities in a class which has been continuously quoted by ASX in the three months prior to the date of the prospectus. In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the issue of New Shares on the Company and the rights attaching to the New Shares. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the period from lodgement of the Company's annual financial report of the Company for the financial year ended 30 June 2015 to the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:

- (i) the annual financial report of the Company for the financial year ended 30 June 2015 being the last financial report for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus;
- (ii) any half-year financial report lodged with ASIC by the Company after the lodgement of that annual report and before the lodgement of this Prospectus; and
- (iii) any continuous disclosure notices given by the Company after the lodgement of the financial report referred to in paragraph (i) and before the lodgement of this Prospectus with ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be obtained free of charge from the Company's registered office during normal office hours.

The Company has lodged the following announcements with ASX since its 2015 annual financial report:

| Date | Description of Announcement |
|-------------|--|
| 28/01/2016 | Quarterly Cashflow Report |
| 28/01/2016 | Quarterly Activities Report |
| 28/01/2016 | Quarterly Activities Report |
| 22/01/2016 | Metallurgical Test Work underway on Esmeralda Graphite |
| 10/12/2015 | Assays strongly support potential for large graphite deposit |
| 25/11/2015 | Change of Director's Interest Notice |
| 25/11/2015 | Appendix 3B |
| 24/11/2015 | Results of Meeting |
| 24/11/2015 | Company Presentation - Annual General Meeting |
| 24/11/2015 | Chairman's Address to Shareholders |
| 19/11/2015 | Further graphite intersection at Esmeralda |
| 16/11/2015 | Option to sell Boyne Limestone for \$1,000,000 |
| 13/11/2015 | Appendix 3B |
| 12/11/2015 | Company Presentation Mining 2015 Conference |
| 05/11/2015 | 120 Metre Graphite Intersection at Esmeralda-rereleased |
| 05/11/2015 | 120 metre Graphite intersection at Esmeralda Project |
| 02/11/2015 | Quarterly Activities Report |
| 26/10/2015 | Change of Director's Interest Notice |
| 23/10/2015 | Annual Report to Shareholders |

Publicly available information about the Company's is available at www.asx.com.au.

11.2 Directors' interests

As at the date of this Prospectus the Directors have a relevant interest in securities of the Company and remuneration as set out below.

| Director | Current holding | | Entitlement | |
|--------------------------------|-------------------------|------------------------|-------------|-----------|
| | Shares | Options | New Shares | Options |
| Mr Barry Casson | Nil | Nil | Nil | Nil |
| Mr Andrew Gillies ³ | 10,800,000 ¹ | 2,000,000 ² | 4,320,000 | 2,160,000 |
| Mr Shu Wu ⁴ | Nil | Nil | Nil | Nil |
| Dr Shu Zhang | Nil | Nil | Nil | Nil |

1 Interest is held through Golden Breed Pty Ltd (8,800,000) and 2,000,000 held by a Superannuation Fund).

2 Interest is held through Golden Breed Pty Ltd (2,000,000 unlisted options at \$0.10 exercisable on or before 31 December 2016).

3 The Company bought a dormant shell company, Touchstone Pty Ltd, from Mr Gilles for a nominal fee.

4 Mr Wu is also a director of Jien Mining Pty Ltd, a 23.94% shareholder of the Company.

Remuneration paid to Directors in the two years prior to the date of this Prospectus

| Director | 2016/2015 ¹ | 2015/2014 ¹ | 2014/2013 ¹ |
|-------------------------------|------------------------|------------------------|------------------------|
| Mr Barry Casson (Chairperson) | \$30,000 | \$38,500 | \$43,500 |
| Mr Andrew Gillies | \$177,660 ² | \$162,414 | \$194,672 |
| Mr Shu Wu | Nil | Nil | Nil |
| Dr Shu Zhang ³ | \$21,000 | \$38,500 | Nil |

1 Inclusive of short-term benefits and superannuation.

2 Mr Gillies retired from his Managing Director role on 13 July 2015 and is now a non-executive Director. This amount includes accrued annual leave, long service leave and all other entitlements on retirement as Managing Director.

3 Dr Zhang is an alternative director for Mr Wu.

The Chairman is entitled to annual Director's fees of \$60,000 and non-executive Directors are entitled to \$42,000 each of Directors fees per annum.

The Company has entered into indemnity, insurance and access deeds with each of the Directors (**Deeds**). Under the Deeds, the Company agrees to indemnify each of the Directors to the extent permitted by the Corporations Act against certain liabilities incurred by the Directors whilst acting as an officer of the Company, and to insure each Director against certain risks to which the Company is exposed as an officer of the Company. The

Deeds also grant each Director a right of access to certain records of the Company for a period of up to 7 years after the Director ceases to be an officer of the Company.

The Deeds were entered into as part consideration for the Directors agreeing to hold office as directors of the Company.

The Constitution of the Company provides that the Directors may be paid for their services as Directors. Non-executive directors may only be paid a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the non-executive directors as they from time to time agree and in default of agreement then in equal shares.

The Company also pays premiums to insure all of the Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct whilst acting in the capacity as a Director of the Company.

Other than as set out above or elsewhere in this Prospectus, no Director or proposed Director holds at the date of this Prospectus, or held at any time during the last 2 years before the date of lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given:

- (d) to a Director or proposed Director or to any firm which any such Director is a partner, to induce him or her to become, or to qualify as, a Director; or
- (e) for services provided by a Director or proposed Director or to any firm which any such Director is a partner, in connection with the formation or promotion of the Company or the Offer.

11.3 Interests of promoters and named persons

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer.

Kings Park Corporate Lawyers has acted as solicitors to the Offer. In respect of this work, the Company will pay approximately \$10,000 exclusive of GST. Subsequently fees will be paid in accordance with normal hourly rates. Kings Park Corporate Lawyers has not received any fees for services to the Company prior to the date of this Prospectus.

CPS Capital Group, will act as lead manager and underwriter to the Offer. In respect of this work, the Underwriter will be paid a lead manager fee of \$60,000 (if the gross amount raised under the Offer is at least \$1.5 million) or \$30,000 (if the gross amount raised under the Offer is less than \$1.5 million). CPS Capital will receive a management fee of 1% of the total amount raised under the Offer and an underwriting fee of 5% of the Underwritten Amount. The Underwriter has not received any other payments or benefits from the Company in the 2 years prior to the date of this Prospectus.

11.4 Consents

Each of the persons referred to in this section:

- (a) has given and has not, before the date of lodgement of this Prospectus with ASIC withdrawn their written consent:
 - (i) to be named in the Prospectus in the form and context which it is named; and
 - (ii) where applicable, to the inclusion in this Prospectus of the statement(s) and/or reports (if any) by that person in the form and context in which it appears in this Prospectus;
- (b) has not caused or authorised the issue of this Prospectus;
- (c) has not made any statement in this Prospectus or any statement on which a statement in this Prospectus is based, other than specified below; and
- (d) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Prospectus, other than the references to their name and the statement(s) and/or report(s) (if any) specified below and included in this Prospectus with the consent of that person.

| Name | Statement/Role |
|------------------------------|----------------|
| Kings Park Corporate Lawyers | Lawyers |
| CPS Capital Group Pty Ltd | Underwriter |
| Link Market Services | Share Registry |

11.5 JORC Code statement

The information in this Prospectus that relates to the Esmeralda Graphite Project is based on information previously compiled (released to ASX on the 5 November 2015, 19 November 2015 and 10 December 2015) by the Company's Competent Person, Mr Andrew Gillies (Director), which can be downloaded from the Company's website.

11.6 Expenses of the Offer

Assuming Full Subscription, the total estimated expenses of the Offer are as set out below:

| Cost ¹ | (approximately) (\$) |
|-------------------|----------------------|
|-------------------|----------------------|

| Cost ¹ | (approximately) (\$) |
|-----------------------------|----------------------|
| Fundraising expenses | 90,093 |
| Legal fees | 10,000 |
| ASX fees | 2,000 |
| ASIC and other expenses | 2,320 |
| Printing, postage and other | 20,000 |
| Total | 124,413 |

¹These costs have or will be paid by the Company.

² The Company will also pay a placement fee of 5% for Shortfall Securities (other than Underwritten Shortfall Securities), placed by the Underwriter.

11.7 Litigation

Other than as disclosed elsewhere in this Prospectus, as at the date of this Prospectus, the Company is not involved in any legal proceedings of a material nature and the Directors are not aware of any legal proceedings pending or threatened against the Company.

12 DIRECTORS' RESPONSIBILITY AND CONSENT

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 25 February 2016



.....
Signed for and on behalf of
Metallica Minerals Limited by
Julian Atkinson (under power of attorney)

13 GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

| | |
|---|---|
| \$, A\$ or Dollars | Australian dollars unless otherwise stated. |
| AEDT | Australian Eastern Daylight Time |
| Applicant | a person who submits a valid Entitlement and Acceptance Form pursuant to this Prospectus. |
| Application | a valid application made on an Entitlement and Acceptance Form to subscribe for New Shares pursuant to this Prospectus. |
| ASIC | the Australian Securities & Investments Commission. |
| ASX | the ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Ltd. |
| Board | the board of Directors. |
| Business Day | Monday to Friday inclusive, except any day that ASX declares is not a business day. |
| Closing Date | the date set out in section 3. |
| Company, Metallica Minerals or Metallica | Metallica Minerals Limited (ACN 076 696 092). |
| Consolidated Entity | means the Company and its subsidiaries. |
| Constitution | the constitution of the Company. |
| Corporations Act | the <i>Corporations Act 2001</i> (Cth). |
| Deeds | the indemnity, insurance and access deeds between the Company and each of the Directors. |
| Director | a director of the Company. |
| Eligible Shareholders | a Shareholder as at the Record Date with a registered address in Australia or New Zealand. |
| Entitlement and Acceptance Form | the personalised entitlement and acceptance form accompanying this Prospectus. |
| Entitlement or Rights | a Shareholder's entitlement to subscribe for New Shares offered by this Prospectus. |
| Existing Share | a Share issued as at 7.00pm (AEDT) on the Record Date. |
| Full Subscription | \$2,009,284 before costs. |

| | |
|--|--|
| Ineligible Shareholder | a Shareholder who is not an Eligible Shareholder. |
| Lead Manager | CPS Capital Group Pty Ltd (ACN 127 171 877). |
| Listing Rules | the listing rules of the ASX. |
| Marketable Parcel | means the number of securities which in aggregate constitutes a marketable parcel of securities within the meaning of the Listing Rules. |
| New Options | Options offered under this Prospectus. |
| New Shares | Shares offered under this Prospectus. |
| Offer | an Offer made under this Prospectus to subscribe for New Shares. |
| Official List | the official list of the ASX. |
| Option | an option to purchase a Share. |
| Optionholder | the registered holder of options in the Company. |
| Prospectus | this Prospectus and includes the electronic prospectus. |
| Record Date | the date set out in section 3. |
| Share | a fully paid ordinary share in the Company. |
| Share Registry | Link Market Services (ABN 54 083 214 537). |
| Shareholder | the registered holder of Shares in the Company. |
| Shortfall | will occur if the Company does not hold successful valid Applications for all the New Shares offered by the Company under the Offer by the Closing Date. |
| Shortfall Offer | the offer of Shortfall Securities under this Prospectus. |
| Shortfall Securities | New Shares for which valid Applications have not been received by the Closing Date under the Offer. |
| Underwriter or CPS Capital | CPS Capital Group Pty Ltd (ACN 127 171 877). |
| Underwriting Agreement | the underwriting agreement between the Company and the Underwriter dated 25 February 2016. |
| Underwritten Amount | \$200,000. |
| Underwritten Securities | means 6,666,667 New Shares. |
| Underwritten Shortfall Securities | means Underwritten Securities for which valid Applications have not been received by the Closing Date under the Offer. |

US Person has the meaning given to that term in Regulation S under the US Securities Act.

US Securities Act the *United States Securities Act of 1933*, as amended.

14 UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 31 December 2015 management accounts | Adjustments between 1 January and 23 February 2016 | Capital raising fees Underwritten Amount | Full subscription | Funds received from Offer Underwritten Amount | Full subscription | Pro forma (not reviewed) Underwritten Amount | | Full subscription |
|--------------------------------------|--|---|---|----------------------|---|----------------------|---|------------------|----------------------|
| Assets | | | | | | | | | |
| Current assets | | | | | | | | | |
| Cash and cash equivalents | 638,360 | -388,000 | -76,320 | -124,413 | 200,000 | 2,009,284 | 374,040 | 2,135,231 | |
| Term deposits | 253,715 | | | | | | 253,715 | 253,715 | |
| Trade and other receivables | 137,676 | | | | | | 137,676 | 137,676 | |
| Inventories | 0 | | | | | | 0 | 0 | |
| Other current assets | 47,779 | | | | | | 47,779 | 47,779 | |
| Total current assets | 1,077,530 | | | | | | 813,210 | 2,574,401 | |
| Non-current assets | | | | | | | | | |
| Property, plant and equipment | 2,060,015 | | | | | | 2,060,015 | 2,060,015 | |
| Exploration and evaluation assets | 253,198 | | | | | | 253,198 | 253,198 | |
| Other non-current assets | 299,625 | | | | | | 299,625 | 299,625 | |
| Total non-current assets | 2,612,838 | | | | | | 2,612,838 | 2,612,838 | |
| Total assets | 3,690,368 | | | | | | 3,426,048 | 5,187,239 | |
| Liabilities | | | | | | | | | |
| Current liabilities | | | | | | | | | |
| Trade and other payables | 254,530 | -200,000 | | | | | 54,530 | 54,530 | |
| Employee benefits | 21,103 | | | | | | 21,103 | 21,103 | |
| Other | 100,000 | | | | | | 100,000 | 100,000 | |
| Total current liabilities | 375,633 | | | | | | 175,633 | 175,633 | |
| Non-current liabilities | | | | | | | | | |
| Employee benefits | 41,739 | | | | | | 41,739 | 41,739 | |
| Total non-current liabilities | 41,739 | | | | | | 41,739 | 41,739 | |
| Total liabilities | 417,372 | | | | | | 217,372 | 217,372 | |
| Net assets | 3,272,996 | | | | | | 3,208,676 | 4,969,867 | |
| Equity | | | | | | | | | |
| Issued capital | 30,628,461 | | -76,320 | -124,413 | 200,000 | 2,009,284 | 30,752,141 | 32,513,332 | |
| Reserves | 7,950,442 | | | | | | 7,950,442 | 7,950,442 | |
| Accumulated losses | -35,305,907 | -188,000 | | | | | -35,493,907 | -35,493,907 | |
| Total equity | 3,272,996 | | | | | | 3,208,676 | 4,969,867 | |