

Metallica Minerals Limited

ACN 076 696 092

Interim Financial Report - 31 December 2016

Metallica Minerals Limited
Corporate directory
31 December 2016

Directors	P Turnbull - Non-executive Chairman (appointed 12 December 2016) A L Gillies - Non-executive Director Wu Shu - Non-executive Director S Boulton - Non-executive Director (appointed 25 January 2017) S Zhang - Alternate Director for Wu Shu
Chief Executive Officer	S J Slesarewich
Company secretary	J K Haley
Registered office and principal place of business	71 Lytton Road East Brisbane QLD 4169
Share register	Link Market Services Limited Level 19, 324 Queen Street Brisbane QLD 4001
Auditor	BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000
Solicitors	HopgoodGanim Level 8, Waterfront Place, 1 Eagle Street Brisbane QLD 4001
Stock exchange listing	Metallica Minerals Limited shares and options are listed on the Australian Securities Exchange (ASX codes: MLM and MLMO respectively)
Website	www.metallicaminerals.com.au
Corporate Governance Statement	www.metallicaminerals.com.au/corporate-governance

Metallica Minerals Limited
Directors' report
31 December 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Metallica Minerals Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

The following persons were directors of Metallica Minerals Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Peter Turnbull (appointed 12 December 2016)
Andrew L Gillies
Wu Shu
Steven Boulton (appointed 25 January 2017)
Shu Zhang (alternate to Wu Shu)
Barry J Casson (resigned 12 December 2016)

Principal activities

During the financial half-year the principal activities of the consolidated entity consisted of mineral exploration, evaluation and progressing development of its bauxite project. There were no significant changes in the principal activities of the consolidated entity.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$757,195 (31 December 2015: \$5,694,565).

During the half-year ended 31 December 2016 the consolidated entity:

(a) Continued to advance its Urquhart Bauxite project (UBx) and:

- Announced a maiden JORC (2012) compliant Measured and Indicated mineral resource for its 50% owned Urquhart Bauxite project, five kilometres southwest of Weipa on Queensland's Cape York. The project now comprises a total JORC (2012) Measured, Indicated and Inferred resource estimate of 9.5 million tonnes.
- Completed a Pre-Feasibility Study (PFS) for the Urquhart Bauxite project. PFS estimates pre-tax project net present value of \$78.4 million on sales of 6.5 Mt of Urquhart Bauxite's Proved and Probable Reserves. UBx consists of two bauxite plateaus, known as Area A and Area B. A Mining Lease Application (MLA 100044) covering Areas A and B has been lodged. The highest margin bauxite in Area A is slated for first production in the second quarter of 2017.
- Metallica is currently in discussions with various parties to deliver its portion of the capital and ensure the consolidated entity has adequate funds to develop the project. Discussions have also commenced with potential off-take partners and it is envisaged that off-take will be secured prior to commencing development in the second quarter of 2017.
- Received notice from Queensland's Department of Environment and Heritage Protection confirming that the Urquhart Bauxite Project does not require an Environmental Impact Statement (EIS) to be completed. In the first half of 2017 the consolidated entity had also received confirmation from the Department of the Environment (Commonwealth) that the Commonwealth Government does not require an EIS to be completed.

(b) Executed a binding agreement to enter into a Farm-in and Joint Venture agreement with Australian Mines Ltd (ASX:AUZ) over Metallica's 100% owned scandium, cobalt and nickel (SCONI) project. Metallica received a payment of \$250,000 on execution of the agreement. Australian Mines Ltd is able to earn 50% of SCONI after completing a Definitive Feasibility Study (DFS) or having expended \$10 million on the DFS within 4 years. Australian Mines Ltd is able to earn a further 25% in the project after arranging suitable finance to fund the development plan load in the DFS.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

Subsequent to the half-year, Metallica received a \$150,425 refund from the Australian Tax Office from a Research and Development tax offset. The refund was accrued for at 31 December 2016.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Metallica Minerals Limited
Directors' report
31 December 2016

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Peter Turnbull', written in a cursive style.

Peter Turnbull
Chairman

1 March 2017
Brisbane



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Australia

DECLARATION OF INDEPENDENCE BY A J WHYTE TO DIRECTORS OF METALLICA MINERALS LIMITED

As lead auditor of Metallica Minerals Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Metallica Minerals Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to be 'A J Whyte', written over a circular stamp or watermark.

A J Whyte

Director

BDO Audit Pty Ltd

Brisbane, 1 March 2017

Metallica Minerals Limited

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General information

The financial statements cover Metallica Minerals Limited as a consolidated entity consisting of Metallica Minerals Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Metallica Minerals Limited's functional and presentation currency.

Metallica Minerals Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

71 Lytton Road
East Brisbane
QLD 4169

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 1 March 2017. The directors have the power to amend and reissue the financial statements.

Metallica Minerals Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

	Note	31 Dec 2016 \$	31 Dec 2015 \$
Revenue	3	89,160	249,558
Other income	4	310,189	248,863
Expenses			
Advertising and promotional costs		(37,488)	(8,415)
Raw materials and consumables used		(170)	(35,661)
Rental expenses		(101,082)	(68,620)
Employee benefits expense		(423,106)	(590,571)
Exploration and evaluation expenditure		(217,606)	(363,682)
Depreciation and amortisation expense	5	(2,053)	(2,502)
Impairment of property, plant and equipment		-	(208,548)
Impairment of mining assets		-	(173,023)
Loss on sale of assets including inventory and property, plant and equipment		-	(217,461)
Listing fees and share register expenses		(57,246)	(34,058)
Impairment of exploration and evaluation assets		-	(3,992,114)
Legal fees		(34,917)	(104,728)
Airfares and conferences		(25,291)	(28,856)
Professional fees		(91,082)	(28,647)
Other expenses		(165,979)	(333,440)
Finance costs		(524)	(2,660)
Loss before income tax expense		(757,195)	(5,694,565)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Metallica Minerals Limited		(757,195)	(5,694,565)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Metallica Minerals Limited		<u>(757,195)</u>	<u>(5,694,565)</u>
		Cents	Cents
Basic earnings per share		(0.33)	(3.41)
Diluted earnings per share		(0.33)	(3.41)

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

Metallica Minerals Limited
Consolidated statement of financial position
As at 31 December 2016

	Note	31 Dec 2016 \$	30 June 2016 \$
Assets			
Current assets			
Cash and cash equivalents		1,243,056	1,530,184
Trade and other receivables		8,179	63,869
Current tax receivable		150,425	300,000
Held to maturity investments		-	757,064
Other current assets		21,362	37,029
Total current assets		<u>1,423,022</u>	<u>2,688,146</u>
Non-current assets			
Property, plant and equipment	5	1,991,598	1,993,651
Exploration and evaluation assets	6	752,300	296,290
Other non-current assets		290,277	297,125
Total non-current assets		<u>3,034,175</u>	<u>2,587,066</u>
Total assets		<u>4,457,197</u>	<u>5,275,212</u>
Liabilities			
Current liabilities			
Trade and other payables		229,272	302,768
Employee benefits		39,991	35,144
Total current liabilities		<u>269,263</u>	<u>337,912</u>
Non-current liabilities			
Employee benefits		45,052	43,727
Total non-current liabilities		<u>45,052</u>	<u>43,727</u>
Total liabilities		<u>314,315</u>	<u>381,639</u>
Net assets		<u>4,142,882</u>	<u>4,893,573</u>
Equity			
Issued capital		32,205,513	32,205,513
Reserves		8,053,237	8,046,733
Accumulated losses		(36,115,868)	(35,358,673)
Total equity		<u>4,142,882</u>	<u>4,893,573</u>

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

Metallica Minerals Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2016

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	30,603,461	7,903,478	(29,611,342)	8,895,597
Loss after income tax expense for the half-year	-	-	(5,694,565)	(5,694,565)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(5,694,565)	(5,694,565)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	46,964	-	46,964
Shares issued for services rendered	25,000	-	-	25,000
Balance at 31 December 2015	<u>30,628,461</u>	<u>7,950,442</u>	<u>(35,305,907)</u>	<u>3,272,996</u>
	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016	32,205,513	8,046,733	(35,358,673)	4,893,573
Loss after income tax expense for the half-year	-	-	(757,195)	(757,195)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(757,195)	(757,195)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	6,504	-	6,504
Balance at 31 December 2016	<u>32,205,513</u>	<u>8,053,237</u>	<u>(36,115,868)</u>	<u>4,142,882</u>

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

Metallica Minerals Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2016

	31 Dec 2016 \$	31 Dec 2015 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	54,423	438,630
Payments to suppliers and employees (inclusive of GST)	<u>(1,199,120)</u>	<u>(1,789,348)</u>
	(1,144,697)	(1,350,718)
Interest received	50,853	8,130
Other revenue	82,263	-
Interest and other finance costs paid	<u>(524)</u>	<u>(2,660)</u>
Net cash used in operating activities	<u>(1,012,105)</u>	<u>(1,345,248)</u>
Cash flows from investing activities		
Net cash inflow from additional capital introduced in joint operation	17,500	-
Net cash inflow on reduction of interest in joint operation	-	600,000
Payments for property, plant and equipment	-	(803,863)
Payments for exploration and evaluation assets	(606,435)	(116,934)
Proceeds from disposal of mining leases	-	845,000
Proceeds from release of security deposits	6,848	18,650
Proceeds from term deposit	757,064	-
Proceeds from entering into SCONI farm-in agreement	250,000	-
Receipt of Research and Development tax offset	<u>300,000</u>	<u>-</u>
Net cash from investing activities	<u>724,977</u>	<u>542,853</u>
Cash flows from financing activities		
Net cash from financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(287,128)	(802,395)
Cash and cash equivalents at the beginning of the financial half-year	<u>1,530,184</u>	<u>1,440,755</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>1,243,056</u></u>	<u><u>638,360</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Metallica Minerals Limited
Notes to the consolidated financial statements
31 December 2016

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

New and revised standards have been issued by the AASB and are effective for the half year, however there are no material changes to the policies that affect measurement of the results or financial position of the entity.

Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the consolidated entity to maintain continuity of normal business activities and to pay its debts as and when they fall due is dependent on the ability of the consolidated entity to successfully raise additional capital and/or successful exploration and subsequent exploitation of areas of interest through sale or development.

The reliance on successfully raising additional capital and/or successful exploration and subsequent exploitation of areas of interest give rise to the existence of a material uncertainty that may cast significant doubt on the ability of the consolidated entity to continue as a going concern.

If for any reason the consolidated entity is unable to continue as a going concern, then it could have an impact on the consolidated entity's ability to realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities which might be necessary should the consolidated entity not be able to continue as a going concern.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the parent entity's Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The consolidated entity is managed primarily on a geographic basis that is the location of the respective areas of interest (tenements) in Australia. Operating segments are determined on the basis of financial information reported to the Board which is at the consolidated entity level.

The consolidated entity does not have any products/services it derives revenue from.

Management currently identifies the consolidated entity as having only one operating segment, being exploration and development of mine projects in Australia. All significant operating decisions are based upon analysis of the consolidated entity as one segment. The financial results from the segment are equivalent to the financial statements of the consolidated entity as a whole.

Metallica Minerals Limited
Notes to the consolidated financial statements
31 December 2016

Note 3. Revenue

	31 Dec 2016 \$	31 Dec 2015 \$
<i>Sales revenue</i>		
Sale of goods	-	16,049
<i>Other revenue</i>		
Interest	49,586	8,130
Royalty	24,574	221,339
Other revenue	15,000	4,040
	<u>89,160</u>	<u>233,509</u>
Revenue	<u><u>89,160</u></u>	<u><u>249,558</u></u>

Note 4. Other income

	31 Dec 2016 \$	31 Dec 2015 \$
Gain on reduction of interest in joint operation	-	204,644
Net gain on introduction of additional equity in joint operation	17,500	-
Income received on entering into SCONI farm-in agreement	250,000	-
Other	42,689	44,219
	<u>310,189</u>	<u>248,863</u>
Other income	<u><u>310,189</u></u>	<u><u>248,863</u></u>

Note 5. Non-current assets - property, plant and equipment

	31 Dec 2016 \$	30 June 2016 \$
Plant and equipment - at cost	972,289	972,289
Less: Accumulated depreciation	<u>(795,937)</u>	<u>(793,884)</u>
	176,352	178,405
Motor vehicles - at cost	47,539	47,539
Less: Accumulated depreciation	<u>(24,229)</u>	<u>(24,229)</u>
	23,310	23,310
Capital works in progress	2,724,561	2,638,837
Less: Impairment	<u>(932,625)</u>	<u>(846,901)</u>
	1,791,936	1,791,936
	<u><u>1,991,598</u></u>	<u><u>1,993,651</u></u>

Reconciliations

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

	Plant and Equipment \$	Motor Vehicles \$	Capital works in progress \$	Total \$
Balance at 1 July 2016	178,405	23,310	1,791,936	1,993,651
Depreciation expense	<u>(2,053)</u>	-	-	<u>(2,053)</u>
Balance at 31 December 2016	<u><u>176,352</u></u>	<u><u>23,310</u></u>	<u><u>1,791,936</u></u>	<u><u>1,991,598</u></u>

Metallica Minerals Limited
Notes to the consolidated financial statements
31 December 2016

Note 5. Non-current assets - property, plant and equipment (continued)

The capital works in progress represents the consolidated entity's share of the plant and equipment in the Oresome joint operation.

Note 6. Non-current assets - exploration and evaluation assets

	31 Dec 2016	30 June 2016
	\$	\$
Exploration and evaluation - at cost	<u>752,300</u>	<u>296,290</u>

Reconciliations

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

	Exploration and evaluation \$	Total \$
Balance at 1 July 2016	296,290	296,290
Additions	606,435	606,435
R&D tax offset	<u>(150,425)</u>	<u>(150,425)</u>
Balance at 31 December 2016	<u>752,300</u>	<u>752,300</u>

Note 7. Non-current assets - mining development

	31 Dec 2016	30 June 2016
	\$	\$
Mining development - at cost	4,214,838	4,214,838
Less: Impairment	<u>(4,214,838)</u>	<u>(4,214,838)</u>
	<u>-</u>	<u>-</u>

Mining development represents the consolidated entity's share of the mining development assets in the Oresome Joint Venture.

Impairment of the mining development assets and capital works in progress, which comprise of a single cash generating unit (CGU), is recognised when the carrying amount exceeds the recoverable amount. The recoverable amount of the mining development assets and capital works in progress has been estimated using the value in use basis. Value in use is estimated based on discounted cash flows using market based commodity price and exchange rate assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, based on the life of the joint operation.

Significant judgements and assumptions are required in making estimates of value in use. It should be noted that the valuation of the mining development assets and capital works in progress is subject to variability in key assumptions including, but not limited to, commodity prices, currency exchange rates, discount rates, production profiles and operating and capital costs. An adverse change in one or more of the assumptions used to determine recoverable amount could result in a reduction in the amount recognised for the mining development assets.

The calculation of value in use for the mining development assets and capital works in progress is most sensitive to variability in commodity prices and exchange rates. The key assumptions used in the carrying value assessments are: a commodity price of US\$1,050 per tonne for zircon, US\$800 per tonne for rutile, and a AUD:USD exchange rate of \$0.72.

Note 8. Contingent liabilities

There have been no changes to the contingent liabilities noted in the 2016 annual financial report.

Metallica Minerals Limited
Notes to the consolidated financial statements
31 December 2016

Note 9. Interests in joint operations

The consolidated entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications. Information relating to joint operations that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 Dec 2016 %	30 June 2016 %
Oresome Joint Venture	Australia	50.00%	50.00%

On 1 August 2014 Metallica Minerals Limited executed a joint venture (JV) agreement with a private Chinese investor. The JV is between Oresome Australia Pty Ltd (a wholly owned subsidiary of Metallica Minerals Ltd) and Ozore Resources Pty Ltd (Ozore) (wholly owned by the Chinese investor). Under the JV agreement, Ozore has paid a total of A\$7,500,000 to develop the company's Urquhart Point HMS Project including construction of a Heavy Mineral Sands (HMS) plant in South Africa, and explore for other Heavy Mineral Sands and Bauxite deposits on its tenements on the western side of Queensland's Cape York Peninsula. The HMS plant arrived in Australia in December 2015 and is currently in storage. Given the continuing low heavy mineral sand prices, the JV has deferred construction of the HMS processing plant and the JV is currently evaluating options in relation to the plant.

The Oresome joint arrangement is classified as a joint operation under Australian Accounting Standards. Metallica Minerals Limited recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

During the half year ended 31 December 2016, Ozore and Metallica contributed additional capital of \$775,000 and \$740,000 respectively. Consequently, Metallica has recognised a net cash inflow of \$17,500 in the statement of cash flows, which represents Metallica's share of the cash contributed by Ozore.

Note 10. Events after the reporting period

Subsequent to the half-year, Metallica received a \$150,425 refund from the Australian Tax Office from a Research and Development tax offset. The refund was accrued for at 31 December 2016.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 11. Share-based payments

Share rights

At the 2016 annual general meeting, shareholder approval was obtained for potential future issues of shares rights to key employees as an exception to Listing Rule 7.1.

The incentive rights plan is designed to assist the company to attract, motivate and retain key employees. In particular, the plan provides participants with an incentive for future performance, thereby encouraging those participants to remain with the company and contribute to the future performance of the company.

Under the plan, eligible participants may be granted shares rights for nil consideration (unless otherwise provided by the relevant offer), which vest if certain vesting conditions are met. Upon vesting, subject to any exercise conditions, each share right entitles the participant to one ordinary share.

There were no share rights issued during the half year ended 31 December 2016.

Metallica Minerals Limited
Directors' declaration
31 December 2016

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Peter Turnbull
Chairman

1 March 2017
Brisbane

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Metallica Minerals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Metallica Minerals Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Metallica Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Metallica Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Metallica Minerals Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and *Corporations Regulations 2001*.

Emphasis of matter

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

BDO Audit Pty Ltd

BDO



A J Whyte

Director

Brisbane, 1 March 2017