



ASX RELEASE
20 November 2014

CHAIRMAN'S LETTER TO SHAREHOLDERS

Metallica Minerals Limited (ASX-MLM) is pleased to provide a copy of the Chairman's letter tabled at today's Annual General Meeting.

Please find a copy of the letter attached.

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Dear shareholders,

As calendar 2014 draws to a close, I would like to take the opportunity at today's AGM to reflect on the past 12 months and the against-the-odds achievements Metallica has made within what has been an intensely and ongoing challenging environment for junior explorers and miners.

Last year the majority of the junior to mid-tier resources sector faced dire cash-in bank positions, a lack of certainty for capital raising outcomes, and few asset growth options, amid increasing market forecasts – which proved correct – of pending major price slides for mineral commodities – and a flight of any positive investor sentiment towards the sector.

Despite this environment, Metallica successfully steered a slight change of course that for the first time in the Company's history, will deliver not just a pivotal new mine and its maiden revenues within just the next 6-7 months, but also underpin a substantial — fully funded campaign by Metallica and its new JV partner into opening up multiple, economically strong heavy mineral sands and bauxite opportunities in Cape York with direct route shipping potential to China. Let's for a moment, chart the major milestones and activities since last year's AGM:

- We completed the drilling and finalised resource at Urquhart Point HMS early this year and this month completed drilling there for its bauxite potential
- We completed the Urquhart Point feasibility study and were granted mining tenure
- We bedded down a healthy Urquhart Point strategy of a low cost mine, barge to protected deep water shipping approach
- Ozore became a \$7.5 million contributing JV partner to specifically totally fund the development of Urquhart Point as a mine by mid-2015 and free carry Metallica in a new HMS & bauxite exploration campaigns on our high potential Cape York regional tenements
- South Africa based Consulmet was secured on fixed price lump sum contract for Urquhart Point's key processing plant items
- We are continuing to advance offtake negotiations
- Regionally, we discovered from our first drilling program the zircon rich T16 HMS deposit and locked in exciting new high priority HMS and bauxite targets at Vrilya Point— a second Cape York hub for us – and we are back drilling there now
- Elsewhere, we continued to seek partners for our SCONI tri-metal project – which remains a positive and very advanced development project simply now awaiting a lift in market conditions to progress and hopefully deliver value returns for Metallica shareholders
- Financially, we enacted cash preservation and cost reduction strategies while generating >\$6m in cash top-ups through major R&D refunds from government, the sale of our remaining holding in MetroCoal (achieving a total profit from this



investment of almost \$11 million) and a successful \$500,000 placement through Taylor Collison in September

- And, elsewhere in Queensland, we are going back into the Croydon graphite project and the high purity silica sand project at Cape Flattery, north of Cairns – so we are not an idle company

Your Managing Director, Andrew Gillies, who has just returned from our Cape York – T16 drilling program will briefly discuss each of these in his presentation after the close of the AGM.

But let me give you a quick insight into what awaits Metallica over the next 12 months.

Global market conditions for bauxite are tightening considerably as supply has been reduced, enhancing substantially, any new supply from low sovereign risk and low cost areas such as Cape York.

Our priority is to complete the Urquhart Point mine development by the end of June 2015 to deliver maiden zircon-rutile HM concentrate shipment and cash flow a few months later.

As such, Urquhart Point, while modest in size and cash flow, becomes our perfect stepping stone to a much bigger and diverse prize in western Cape York. Further HMS and bauxite drilling results are due by January with maiden resource estimates following shortly after that. Mining lease applications for both T16 HMS and Urquhart Point's bauxite are likely plus as mentioned previously, substantial new regional bauxite and HMS exploration at Cape York.

Our focus for SCONI will be on securing a JV partner while we also plan to progress the new graphite and silica sand projects.

So, in short, Metallica begins 2015 with a sound cash position, a new mine under development and construction, well into the transition period from explorer/developer to producer, with first sales and first revenue now a near-term reality and significant untapped and fully funded exploration upside.... a gene pool of factors markedly differentiating Metallica from our peer group.

We thank you sincerely for your patience and support and invite you to continue to share the journey in what is now a very measureable story and outcomes.

Yours faithfully

A handwritten signature in black ink, appearing to read 'David K Barwick', written over a faint circular stamp or watermark.

David K Barwick
Chairman