



20 February 2018

Dear shareholders,

As we move through the early stages of 2018, it is an opportune time to reflect on what has been a transformational period for Metallica and to brief you further on the very positive future that lies ahead for the Company.

1. Urquhart Project

2017 was a year of solid progress with the Urquhart Bauxite Project on the Cape York Peninsula.

We ensured that:

- the Company is fully funded to bring Urquhart into production with no need to access equity markets;
- a contractor, Brisbane-based LCR Group, has been engaged to provide mining and haulage services for the project;
- agreement has been reached with the Traditional Owners for access; and,
- federal government environmental approval for the project has been secured.

Then, in early January this year, we were granted the all-important Mining Lease with no unexpected conditions. Notwithstanding the delay caused by the State Election late last year, the Mining Lease was granted relatively quickly – within three years of Metallica starting the application process – in comparison to other projects. This is a significant achievement and testament to the hard work of the management team led by Chief Executive Officer, Simon Slesarewich.

The focus for Simon and his team is now firmly on securing the last remaining approval – access to build a haul road connecting the project with port facilities at Hey Point – and commencing revenue generation as soon as possible. As we are dealing with a third party in negotiating the haul road access, it is difficult to predict exactly when approval will be agreed. Once in hand, the period to bring Urquhart into production will be just 4-6 weeks.

As indicated in the December quarterly, marketing and sales activities have increased and there is strong confidence that the product from Urquhart will find a ready home with customers in Asia who are experienced in processing the well-known bauxite product from the Weipa region.

The fundamentals of the bauxite market remain strong, helped, in part, by China's crackdown on illegal and environmentally damaging mining practices and declining ore grades at many Chinese bauxite mines. These factors have led to record Chinese bauxite imports in recent months and the opening of new provincial markets in the country.

2. Growth

Urquhart is a well located and appropriately sized project to create sustained revenue and cash flow. However we are also very mindful of the need to identify options to grow the Company significantly and have been devoting substantial energy over recent months to assessing a range of potential growth opportunities. We understand the strategic value of sustainable cash flow for our shareholders.

Our preference is on identifying projects in, or close to production with strong forecast revenues which also have manageable forward capital needs and can be funded on acceptable commercial terms. This focus highlights a move to projects that have advanced beyond the formative technical, geological and approval stages of risk. Our goal remains to have production capability of 5-7 million tonnes of bauxite per annum.

Should the right opportunity arise, we would be open to acquisitions in other commodities. But, having noted that, we remain steadfast that the rationale behind the sale of the "SCONI" scandium-cobalt-nickel project to Australian Mines during 2017 was 100% sound.

"SCONI" requires a significant amount of capital to bring the resource into production, many multiples more than Urquhart will require, and it will be several years at least before "SCONI" produces its first cash flows, which doesn't fit our vision for Metallica. In addition, each of the three commodities in the product mix at "SCONI" presents its own set of unique challenges.

In summary, our aim is to significantly grow the size, scope and value of Metallica. We are working towards generating sustainable revenue in 2018 and to identifying and executing growth strategies to give Metallica a larger and longer term existence beyond the Urquhart Project, which is a fundamentally attractive development in its own right

All that we do will, as always, be viewed from the point of view of what will create the best outcomes for our shareholders.

Thank you very much for your ongoing support.



Peter Turnbull
Chairman

