



18 SEPTEMBER 2019

UPDATE ON VOLUNTARY ADMINISTRATION OF SUBSIDIARY COMPANY, NORNIC PTY LTD

Metallica Minerals Limited (**Metallica**, ASX: MLM) previously announced on 16 August 2019 that Nornico Pty Limited (**Nornico**), a wholly owned subsidiary of Metallica, had been placed into Voluntary Administration.

The reason for this Voluntary Administration was that two Nornico royalty agreements were not assigned as part of the sale of the Sconi Project to Australian Mines Limited (**AML**) (refer to ASX announcements dated 2 September 2017 and 12 December 2017) (**Sconi Transaction**).

Metallica is proposing to submit a Deed of Company Arrangement (**DOCA**) prior to the second meeting of creditors. If the DOCA is agreed to, this will settle any claims against Nornico or Metallica.

However, the Administrators of Nornico recently released a Circular to Creditors (**Administrators Report**) that includes the following extract of comments which would be relevant if a DOCA cannot be negotiated:

8.5.1 Unfair preference claims

If Nornico is wound up, and if Nornico is insolvent, the liquidators may be able to recover up to \$4.5 million (plus the value of the AML shares) paid to Metallica under the Purchase Agreement as a preference payment.

The Administrators note that investigations to date are preliminary. If Nornico is wound up, further investigations and a cost benefit analysis of pursuing recovery action would be undertaken in relation to the matter. It is likely that material funding would also be required to enable that claim to be pursued. Recovery of any funds would also depend on the capacity of Metallica to pay that claim.

8.6 Breach of Director's duties

The Administrators' preliminary investigations have not identified any breach of the current or former Directors' duties, other than the matters referred to above in relation to the Purchase Agreement and the Royalty Agreements that were not assigned. We note that any such claims would relate to Historical Office Holders and not the current Directors.

If the Historical Office Holders are found to have breached their duties by either:

- negligence, by not assigning the Royalty Agreements to AML/SMO by way of oversight; or
- fraudulently, by knowingly not assigning the Royalty Agreements,

recovery proceedings for any losses may be pursued. Again, any such claim would be subject to the above questions of quantification, solvency and the capacity of the Historical Office Holders and/or Metallica to meet any such claim.

The Administrators are required to give further consideration to the discharge of duties by the Directors and Historical Office Holders if Nornico is wound up and the Administrators are appointed as liquidators.

If Nornico is wound up, the liquidators will also consider if, and how, a breach of the Historical Office Holders' duties may impact Metallica and whether there may be any potential recoveries, which would also be subject to the considerations we have identified regarding solvency and capacity to pay

The Historical Office Holders * of Nornico are defined in the Administrators Report as follows:

Name	Role	Appointment Date	Cease Date
Peter Turnbull	Previous Director	9 June 2017	1 February 2019
Steven Boulton	Previous Director	9 June 2017	1 February 2019
Simon Slesarewich	Previous Director	25 June 2018	1 February 2019
Barry Casson	Previous Director	30 June 2015	9 June 2017

* Historical Office Holders are defined in the Administrators Report as “previous directors appointed in 2015 or later, who are no longer appointed to those roles...”.

The Administrators’ Report summary is as follows:

The DOCA proposal has not yet been developed sufficiently to the point where it could be recommended by the Administrators. The Administrators will continue to engage with the DOCA Proponents to develop the proposed DOCA. Should a revised proposed DOCA be put to the Administrators prior to the meeting, which provides for a better return to creditors, it is possible that the Administrators may recommend that DOCA to creditors. For the avoidance of doubt, this will only be the case if the likely return under the DOCA is better than the return under a liquidation.

In the Administrators’ opinion, at the date of this report, it is in the best interests of creditors to vote for Nornico to be wound up.

11.4 Opinion summary

Accordingly, based on the analysis outlined above, our overall recommendation is that creditors should resolve to place the Nornico into liquidation, unless an acceptable DOCA proposal is put to the Administrators before the second creditors meeting.

Metallica is still engaging with the Administrators and other stakeholders of Nornico, and will update shareholders when further information becomes available.

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