



MELIOR RESOURCES INC.

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

To be held November 27, 2018

NOTICE OF MEETING

AND

MANAGEMENT INFORMATION CIRCULAR

with respect to a proposed Plan of Arrangement involving Melior Resources Inc. and Metallica Minerals Limited

October 25, 2018

Neither the TSX Venture Exchange nor any securities regulatory authority has in any way passed upon the merits of the Transaction described in this Information Circular.

Melior Resources Inc.
Suite 1700, Park Place, 666 Burrard Street
Vancouver, British Columbia, V6C 2X8

Dear Shareholders:

The Directors of Melior Resources Inc. (“**Melior**” or the “**Corporation**”) invite you to attend the annual and special meeting (the “**Melior Meeting**”) of the shareholders of Melior (the “**Melior Shareholders**”) to be held at the offices of Wildeboer Dellelce LLP at Wildeboer Dellelce Place, 365 Bay Street, Suite 800, Toronto, Ontario at 10:00 a.m. (Toronto time) on November 27, 2018.

At the Meeting, you will be asked to consider and vote upon a proposed arrangement (the “**Arrangement**”) involving Melior and Metallica Minerals Limited (“**Metallica**”), as announced on September 12, 2018. Upon completion of the Arrangement, each holder of Melior common shares (“**Melior Shares**”) will be entitled to receive, for each Melior Share held, twenty (20) ordinary shares of Metallica (each ordinary share of Metallica, a “**Metallica Share**”).

Under the Arrangement, upon closing, all outstanding Melior options and warrants will be exchanged for Metallica options and warrants, respectively, entitling the holder to acquire Metallica Shares *in lieu* of Melior Shares based on the exchange ratio for the Arrangement.

Following the Arrangement, Melior Shareholders are expected to hold approximately 64% of the outstanding Metallica Shares on an undiluted basis. The all share transaction represents a 45% premium to the closing price of the Metallica Shares on the Australian Stock Exchange (“**ASX**”) on September 11, 2018, being the date immediately prior to the announcement of the Arrangement, a 23% premium based on the respective three-month volume weighted average prices of Metallica and Melior, as at September 11, 2018, and a 12.1% premium to the closing price of the Metallica Shares on the ASX as of October 24, 2018. Following the Arrangement, Melior will benefit from a strengthened balance sheet, an enhanced capital market profile with an increased market capitalization and trading liquidity, an ASX listing better reflecting its asset locations, and an expanded mineral project portfolio providing increased opportunity to grow the business.

Detailed information in respect of matters contemplated by the Arrangement is set out in the accompanying management information circular (the “**Circular**”). Please review the Circular carefully as it has been prepared to help you make an informed decision on the Arrangement.

At the Melior Meeting, Melior Shareholders will be asked to approve a special resolution authorizing the Arrangement (the “**Arrangement Resolution**”) with (a) a majority of at least two-thirds of the votes cast at the Melior Meeting, in person or by proxy, and (b) a majority of at least 50% plus one vote of the votes cast at the Melior Meeting, in person or by proxy, by Melior Shareholders, other than Pala Investments Limited (“**Pala**”) or any person that is a “related party” or a “joint actor” of Pala for the purposes of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*. Without the required level of Melior Shareholder approval, the proposed Arrangement cannot be completed. Completion of the Arrangement is also subject to certain required regulatory approvals, including the approval of the TSX Venture Exchange and the Supreme Court of British Columbia (the “**Court**”) and other customary closing conditions, all of which are described in more detail in the Circular.

After thorough review and analysis, the Board of Directors of Melior has adopted the recommendation of a committee of independent directors (the “Special Committee”) and has unanimously determined that the Arrangement is in the best interests of the Corporation and that the Arrangement is fair, from a financial point of view, to Melior Shareholders. ACCORDINGLY, THE BOARD OF DIRECTORS OF MELIOR HAS UNANIMOUSLY APPROVED THE TERMS OF THE ARRANGEMENT AND RECOMMENDS THAT YOU VOTE FOR THE ARRANGEMENT RESOLUTION AT THE MEETING FOR THE REASONS SET OUT IN THE ATTACHED CIRCULAR.

Certain significant Melior Shareholders have entered into agreements with Metallica and/or Melior to vote **FOR** the Arrangement, subject to the terms set out therein. Please see “*The Arrangement – Support Agreements and Melior Voting Intention Agreement*” in the Circular.

Completion of the Arrangement or approval of the Arrangement Resolution is not conditional upon the approval of the resolution seeking the approval of Melior Shareholders for Metallica to seek exemptive relief to permit it to report as a designated foreign issuer pursuant to National Instrument 71-102 - *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (the “Exemptive Relief Resolution”) and the annual resolutions, which consist of the resolutions other than the Arrangement Resolution and the Exemptive Relief Resolution, that Melior Shareholders are being asked to consider at the Melior Meeting.

KPMG LLP was retained by the Special Committee to provide an independent fairness opinion and concluded on September 11, 2018 that the consideration to be received by Melior Shareholders is fair, from a financial point of view, to the Melior Shareholders. Your vote on the matters to be acted upon at the Melior Meeting is important, regardless of how many Melior Shares you own. If the requisite approvals are obtained, an order of the Court approving the Arrangement will be sought following the Melior Meeting. We hope that you will be able to attend the Melior Meeting in person; however, if you cannot attend, please ensure TSX Trust Company receives your completed form of proxy or voting information form by November 23, 2018 at 10:00 a.m. (Toronto time) at the address noted in the Circular.

On behalf of Melior, we thank you for your past and ongoing support.

Sincerely,

MELIOR RESOURCES INC.

(Signed) “*Mark McCauley*”
Mark McCauley
Chief Executive Officer

MELIOR RESOURCES INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that pursuant to an order (the “**Interim Order**”) of the Supreme Court of British Columbia (the “**Court**”) dated October 22, 2018, an annual and special meeting (the “**Melior Meeting**”) of the holders of common shares (the “**Melior Shareholders**”) of Melior Resources Inc. (“**Melior**” or the “**Corporation**”) will be held at the offices of Wildeboer Dellelce LLP, at Wildeboer Dellelce Place, 365 Bay Street, Suite 800, Toronto, Ontario, M5H 2V1 at 10:00 a.m. (Toronto time) on Tuesday, November 27, 2018 for the following purposes:

1. **TO RECEIVE** the audited consolidated financial statements of the Corporation for the financial year ended June 30, 2018, together with the auditor’s report thereon;
2. **TO ELECT** the directors of the Corporation for the ensuing year;
3. **TO REAPPOINT** MNP LLP, Chartered Accountants, as independent auditor of the Corporation and to authorize the board of directors of the Corporation to fix the remuneration of the auditor;
4. **TO CONSIDER** and, if deemed advisable, approve an ordinary resolution to confirm the Corporation’s stock option plan, as amended and restated, for the directors, senior officers, employees and consultants of the Corporation and its affiliated entities, as more particularly set out in Appendix “K” to the management information circular accompanying this notice (the “**Circular**”);
5. **TO CONSIDER**, and, if deemed advisable, to pass, with or without variation, a special resolution (the “**Arrangement Resolution**”), the full text of which is set out in the Circular, to approve an arrangement (the “**Arrangement**”) under Part 9, Division 5 of the *Business Corporations Act* (British Columbia) (the “**BCBCA**”), all as more particularly described in the Circular;
6. **TO CONSIDER**, and, if deemed advisable, to pass with or without variation an ordinary resolution (the “**Exemptive Relief Resolution**”), the full text of which is set out in the Circular, to approve an application by Metallica to the Ontario Securities Commission which, if the Arrangement is completed, will be Metallica’s principal regulator under the procedures described under Multilateral Instrument 11-102 – *Passport System*, for exemptive relief to permit Metallica, immediately upon the completion of the Arrangement, to report as a “designated foreign issuer” pursuant to National Instrument 71-102 – *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*, notwithstanding that Metallica may not otherwise meet the conditions to so report as a “designated foreign issuer”, which application if approved Melior Shareholders is expected to be submitted by Metallica promptly upon the closing of the Arrangement; and
7. **TO TRANSACT** such other business as may properly come before the Melior Meeting.

Reference is made to the Circular for the details of matters to be considered at the Melior Meeting. The full text of the Arrangement Resolution and the Plan of Arrangement are as set forth in Appendix “A” and Appendix “B” thereto, respectively. In order to become effective, the Arrangement Resolution must be approved by (a) a majority of at least two-thirds of the votes cast by the Melior Shareholders, present in person or by proxy at the Melior Meeting and (b) a majority of at least 50% plus one vote of the votes cast by minority Melior Shareholders present in person or by proxy at the Melior Meeting.

All resolutions above other than the Arrangement Resolution and the Exemptive Relief Resolution (collectively, the “**Annual Resolutions**”) are being put to Melior Shareholders at the Melior Meeting solely in the event that the Arrangement is not completed for any reason. Completion of the Arrangement or approval of the Arrangement Resolution is not conditional upon the approval of the Exemptive Relief Resolution and/or the Annual Resolutions.

All Melior Shareholders are invited to attend the Melior Meeting. Only Melior Shareholders at the close of business on October 19, 2018 (the “**Record Date**”) are entitled to receive notice of and vote at the Melior Meeting. If you are

a registered Shareholder and are unable to attend the Melior Meeting in person, please complete, date and sign the enclosed form of proxy and return it, in the envelope provided, to TSX Trust Company at 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 1S3, so that it is received no later than 10:00 a.m. (Toronto) on Friday, November 23, 2018 or by 10:00 a.m. (Toronto time) on the day which is two business days prior to the date on which any adjournment or postponement of the Melior Meeting is held.

If you are a non-registered Melior Shareholder, please refer to the section in the Circular entitled “*General Proxy Information – Non-Registered Holders*” for information on how to vote your Melior shares.

Pursuant to the BCBCA, as modified by the Interim Order, the Plan of Arrangement and any other order of the Court, registered Melior Shareholders are entitled to exercise rights of dissent in respect of the proposed Arrangement and, if the Arrangement becomes effective, to be paid fair value for their common shares of Melior (“Melior Shares”) by Metallica Minerals Limited, the acquiror under the Arrangement. Holders of Melior Shares wishing to dissent with respect to the Arrangement must send a written objection to the registered office of Melior at Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2X8 Attention: Mark McCauley, prior to the time of the Melior Meeting, such that the written objection is received by Melior no later than 4:00 p.m. (Vancouver time) on Friday, November 23, 2018 or by 4:00 p.m. (Vancouver time) on the day which is two business days prior to the date on which any adjournment or postponement of the Melior Meeting is held, in order to be effective.

A Melior Shareholder's right to dissent is more particularly described in the accompanying Circular and the text of the Interim Order, Sections 237 to 247 of the BCBCA and the Plan of Arrangement as set forth in Appendix “C”, Appendix “O” and Appendix “B” to the Circular, respectively. Failure to strictly comply with these requirements may result in the loss of any right of dissent. Persons who are beneficial owners of Melior Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered holders of such shares are entitled to dissent. Accordingly, a beneficial owner of Melior Shares desiring to exercise the right of dissent must make arrangements for the Melior Shares beneficially owned to be registered in their name prior to the time the written objection to the Arrangement Resolution is required to be received by Melior or, alternatively, make arrangements for the registered holder of such shares to dissent on their behalf.

DATED at Toronto, Ontario, this 25th day of October, 2018.

By Order of the Board of Directors of

Melior Resources Inc.

(Signed) “*Mark McCauley*”
Mark McCauley
Chief Executive Officer

QUESTIONS AND ANSWERS ABOUT THE MELIOR MEETING AND THE ARRANGEMENT

The following is a summary of certain information contained in or incorporated by reference into this Circular, including the Appendices hereto, together with some of the questions that you, as a Melior Shareholder, may have and answers to those questions. You are urged to read the remainder of this Circular, the form of proxy and the Letter of Transmittal carefully, because the information contained below is of a summary nature and therefore is not complete, and is qualified in its entirety by the more detailed information contained elsewhere in or incorporated by reference into this Circular, including the Appendices hereto, the form of proxy and the Letter of Transmittal, all of which are important. Capitalized terms used in these “Questions and Answers About the Melior Meeting and the Arrangement” but not otherwise defined herein have the meanings set forth in the “Glossary of Terms”.

Q: Why is the Melior Meeting being held?

A: The Melior Meeting is primarily being held to consider a special resolution to approve the acquisition by Metallica of all of the Melior Shares. The acquisition will be completed by way of a Plan of Arrangement under the provisions of the BCBCA. The Annual Resolutions are being put to Melior Shareholders at the Melior Meeting solely in the event that the Arrangement is not completed for any reason.

Q: When and where is the Meeting being held?

A: The Melior Meeting will be held at 10:00 a.m. (Toronto Time) on Tuesday, November 27, 2018 at the offices of Wildeboer Dellelce LLP at Wildeboer Dellelce Place, 365 Bay Street, Suite 800, Toronto, Ontario.

Q: When do I have to vote my Melior Shares by?

A: Melior Shareholders who intend to vote by proxy must submit their vote no later than 10:00 a.m. (Toronto Time) on November 23, 2018, or, in the event that the Melior Meeting is postponed, not later than 48 hours excluding Saturdays, Sundays and statutory holidays in the City of Toronto, prior to the time of the Meeting as adjourned or postponed. Registered Shareholders may vote in person at the Melior Meeting or any adjournment(s) or postponement(s) of the Melior Meeting.

Q: What are the benefits of the Plan of Arrangement to all Melior Shareholders?

A: The following are some of the benefits to Melior Shareholders:

- Following the Arrangement, Melior Shareholders are expected to hold approximately 64% of the outstanding Metallica Shares on an undiluted basis.
- The Plan of Arrangement is expected to result in a stronger platform for growth via an enhanced pipeline of development assets, a strengthened balance sheet and an ASX listing. The Goondicum Mine is expected to commence production in November 2018 and start generating a positive cash flow by the second fiscal quarter of 2019. In addition, there are good prospects for realizing value shortly thereafter from the Metallica asset portfolio. The value-focused culture and combined technical and commercial skills of the two companies will also greatly enhance the merged group's capabilities.
- On completion of the Arrangement, the merged entities are expected to have approximately A\$5.25 million of unallocated cash and liquid securities, a project coming into production with near term cashflow and a pipeline of longer term development and exploration assets, all located in Queensland, Australia. Metallica also has a A\$5million receivable as part of the recent sale of Metallica's Sconi Co-Ni project to Australian Mines Limited, to be paid on commencement of production at that project, as well as significant tax losses.
- Following completion of the Arrangement, Metallica is expected to benefit from an enhanced capital market profile with an increased market capitalization, which is expected to lead to increased trading liquidity and analyst coverage.

- Melior shareholders are expected to have the opportunity to be part of a bigger and stronger company with a larger net cash position, which is expected to be better equipped to commence production at the Goondicum Mine and to realize value from the Metallica asset portfolio.
- The proposed Arrangement has received unanimous approval of both the Board of Directors of Melior and Metallica.
- KPMG provided an opinion to the Special Committee and the Melior Board on September 11, 2018 that the Share Consideration to be received by Melior Shareholders pursuant to the terms of the Arrangement is fair, from a financial point of view, to Melior Shareholders.
- For further information in respect of the Arrangement, see *“The Arrangement - Reasons for the Arrangement”*.

Q: What will I receive for my Melior Shares under the Arrangement?

A: Pursuant to the Arrangement, Melior Shareholders (other than Dissenting Shareholders) will be entitled to receive twenty (20) Metallica Shares for each Melior Share they hold. Upon completion of the transaction contemplated by the Arrangement Agreement, Melior Shareholders (other than Dissenting Shareholders) will become shareholders of Metallica. See *“The Arrangement — Principal Steps of Arrangement”*.

Q: Why am I being asked to approve the Exemptive Relief Resolution?

A: If, on a fully-diluted basis, 10% or fewer of the Metallica Shares upon completion of the Arrangement, are owned, directly or indirectly, by residents in Canada, Metallica will be permitted under NI 71-102 to report in Canada as a “designated foreign issuer”. If, on a fully-diluted basis, greater than 10% of the Metallica Shares upon completion of the Arrangement, are owned, directly or indirectly, by residents in Canada, Metallica will not, pursuant to the provisions of NI 71-102, be permitted to report in Canada as a “designated foreign issuer”. Currently, it is expected that upon completion of the Arrangement, Metallica Shares owned directly or indirectly by Metallica Shareholders who are resident in Canada will represent slightly more or slightly less than 10% of the Metallica Shares, on a fully-diluted basis. If the former is the case, Metallica intends to apply to the Ontario Securities Commission for exemptive relief so that it is permitted to report as a “designated foreign issuer”. As a “designated foreign issuer”, Metallica will be exempt from most of the continuous disclosure requirements of Canadian securities legislation provided Metallica complies with the continuous disclosure requirements of Australia. Melior Shareholders should be aware that, generally, reporting issuers in Australia are not required to prepare and file quarterly financials or quarterly and annual MD&As. Rather, such issuers only prepare an annual and semi-annual report. However, certain mining production and mining exploration entities are required by the ASX Listing Rules to prepare and file a quarterly activities report and quarterly cashflow report. These requirements currently apply to Metallica but may not apply in the future depending on Metallica’s activities and circumstances. As such, if Metallica, following the completion of the Arrangement, is permitted to report in Canada as a “designated foreign issuer”, Metallica Shareholders including those Melior Shareholders who have received Metallica Shares pursuant to the Arrangement will not receive financial reports prepared by Metallica on a quarterly basis or MD&As on a quarterly and annual basis, and may not, should Metallica’s circumstances change, receive a quarterly activities report or quarterly cashflow report. Further, Metallica has received indication from holders representing approximately 66.3% of the issued and outstanding Melior Shares as of the Record Date that such shareholders see the benefit of management of Metallica being able to focus only on the Australian financial reporting requirements and thus have expressed strong support of the exemptive relief application.

Q: Who can attend and vote at the Meeting?

A: Only Melior Shareholders of record as of the close of business on October 19, 2018, the Record Date for the Melior Meeting, are entitled to receive notice of, and to vote at, the Melior Meeting or any adjournment(s) or postponement(s) of the Melior Meeting.

Q: What approvals are required by Melior Shareholders at the Meeting?

A: Melior Shareholders will be asked to approve the Arrangement Resolution with (i) a majority of at least two-thirds of the votes cast by Melior Shareholders present in person or represented by proxy and entitled to vote at the Melior Meeting, and (ii) a majority of at least 50% plus one vote of the votes cast by the Melior Shareholders present in person or represented by proxy and entitled to vote at the Melior Meeting, excluding Melior Shares held by each of the Lender and Martyn Buttenshaw and their affiliates whose votes may not be included in determining minority approval of a Business Combination pursuant to MI 61-101. To the best knowledge of the Melior Board, the votes attached to 13,252,402 Melior Shares (representing 45.7% of the issued and outstanding Melior Shares as at the Record Date), held directly and indirectly, in aggregate by the Lender and Mr. Buttenshaw must be excluded from voting on the Arrangement Resolution to be approved by the Minority Shareholders voting in person or by proxy at the Meeting. The Excluded Persons may still vote on the Arrangement Resolution for the purpose of obtaining the 66 2/3% approval as required by the BCBCA.

For more information, see “*The Arrangement - Approval of the Arrangement Resolution*” and “*The Arrangement - Regulatory Law Matters and Securities Law Matters*”.

Completion of the Arrangement and/or approval of the Arrangement Resolution is not conditional upon the approval of any of the Annual Resolutions or the Exemptive Relief Resolution that Melior Shareholders are being asked to consider.

Q: How can Melior Shareholders vote their Melior Shares?

A: If you are a **Registered Shareholder**, you may vote in any of the following ways:

In Person	Attend the Melior Meeting and register with the transfer agent, TSX Trust Company, upon your arrival. Do not fill out and return your proxy if you intend to vote in person at the Meeting.
Mail	Enter voting instructions, sign the form of proxy and send your completed form in the accompanied pre-paid envelope to: TSX Trust Company Attention: Proxy Department 100 Adelaide Street West, Suite 301 Toronto, ON M5H 1S3
Fax	(416) 595-9593. Please scan and fax both pages of your completed, signed form of proxy.
Internet	Go to www.voteproxyonline.com . Enter your 12 digit control number printed on the form of proxy and follow the instructions on the website to vote your Melior Shares.

If you are a Non-Registered Shareholder holding your Melior Shares through a bank, broker, trust company, or custodian, you are requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively, beneficial Melior Shareholders can call the toll-free telephone number

printed on their voting instruction form or access Broadridge's dedicated voting website at www.proxyvote.com and enter their **16-digit control number** to deliver their voting instructions. Non-Registered Holders should carefully follow the instructions of their intermediary or its agents, including those regarding when and where the voting instruction form is to be delivered.

Q: What will happen to my Melior Options and Melior Warrants under the Arrangement?

A: Under the Arrangement, all outstanding Melior Options and Melior Warrants will be exchanged for Metallica Replacement Options and Metallica Replacement Warrants, respectively, entitling the holders thereof to acquire Metallica Shares as adjusted in accordance with the Plan of Arrangement.

Q: Who is Metallica?

A: Metallica is a company engaged in the development, evaluation and exploration of mineral properties located in Australia. Metallica Shares are listed and posted for trading on the Australian Stock Exchange ("ASX") under the symbol "MLM". See "Appendix "F" — Information Concerning Metallica".

Q: Will the Metallica Shares to be issued to Melior Shareholders be listed on a stock exchange?

A: Metallica will, prior to the Effective Time, seek conditional approval from the ASX to list the Metallica Shares comprising the Share Consideration on the ASX. Listing of the Metallica Shares will be subject to satisfying the conditions required by the ASX. It is a condition to the completion of the Arrangement that such Metallica Shares be listed on the ASX. The Metallica Shares will not be listed on a stock exchange in Canada.

Q: How does the Exchange Ratio consideration per Metallica Share compare to the market price of the Metallica Shares before the Arrangement was announced?

A: Under the Arrangement, holders of Melior Shares will be entitled to receive twenty (20) Metallica Shares for each Melior Share held. The Arrangement values Metallica at A\$0.0449 per Metallica Share based on the Exchange Ratio, Exchange Rate and respective Melior and Metallica's closing share price on the TSX-V and ASX, respectively, on September 11, 2018, the last trading day preceding the announcement of the Arrangement, representing a premium on Metallica Shares of 45% based on such closing prices. Based on the respective three month volume weighted average prices of Metallica and Melior, as at September 11, 2018, the Share Consideration represents a premium of 23%. Based on the closing price of the Melior Shares and the Metallica Shares on the TSX-V and ASX, respectively, on October 24, 2018, the Share Consideration represents a premium of 12.1%.

Q: Does the Melior Board support the Arrangement?

A: Yes. The Melior Board unanimously, (i) determined that the Arrangement is fair to Melior Shareholders and in the best interests of Melior, and (ii) recommends that Melior Shareholders vote **FOR** the Arrangement Resolution. Before entering into the Arrangement Agreement, the Melior Board established the Special Committee, comprised of George Lloyd (as Chairman) and Rishi Tibriwal, two independent directors of Melior within the meaning of MI 61-101, with a broad mandate that includes assessing, considering, reviewing and negotiating the Arrangement and the Arrangement Agreement and any other proposed transactions and alternatives to the Arrangement and to make recommendations to the Melior Board with respect thereto. The Special Committee engaged KPMG to provide an independent fairness opinion and KPMG concluded on September 11, 2018 that the Share Consideration to be received by Melior Shareholders is fair, from a financial point of view, to Melior Shareholders. The Special Committee determined that the Arrangement with Metallica was in the best interests of Melior and that the Share Consideration is fair to Melior Shareholders. The Special Committee then unanimously recommended that the Melior Board approve the Arrangement Agreement. In making its recommendation to Melior Shareholders, the Melior Board also considered a number of factors as described in this Circular under the heading "*The Arrangement —Reasons for the Arrangement*", including the Fairness Opinion from KPMG,

which determined that the Share Consideration to be received by Melior Shareholders pursuant to the Arrangement is fair, from a financial point of view, to Melior Shareholders

On September 5, 2018, Melior entered into the Melior Voting Intention Agreement with the Takota Asset Management Inc. (“**Takota**”) and, on September 12, 2018, Metallica and Melior entered into Melior Support Agreements with each of the Melior Support Parties. The Melior Voting Intention Agreement sets forth, among other things, the intention of Takota to vote the Melior Shares held by it on the Record Date **FOR** the Arrangement Resolution and the Melior Support Agreements set forth, among other things, the agreement of such Melior Support Parties to vote their Melior Shares **FOR** the Arrangement Resolution. As of the Record Date, 19,211,164 of the outstanding Melior Shares, representing approximately 66.3% of the outstanding Melior Shares were subject to the Melior Support Agreements and 3,585,055 of the outstanding Melior Shares, representing approximately **12.4%** of the outstanding Melior Shares, were subject to the Melior Voting Intention Agreement. See “*The Arrangement – Support Agreements and Melior Voting Intention Agreement*”.

Q: In addition to Melior Shareholder approval, what other approvals are required to complete the Arrangement?

A: In order to complete the Arrangement, the Arrangement requires, among other things, the approval of the Court, the approval of the Metallica Arrangement Resolution by the Metallica Shareholders representing at least 50% of the votes cast in respect of the Metallica Arrangement Resolution at the Metallica Meeting, and also is subject to, among other things, the receipt of certain regulatory approvals, including the approval of the listing and posting for trading on the ASX of the Metallica Shares to be issued pursuant to the Arrangement.

Q: When will the Arrangement become effective?

A: Subject to obtaining Court approval and other required approvals as well as the satisfaction of all other conditions precedent to the completion of the Arrangement, if Melior Shareholders approve the Arrangement Resolution and Metallica Shareholders approve the Metallica Arrangement Resolution, it is anticipated that the Arrangement will be completed on or about December 13, 2018.

Q: What will happen to Melior if the Arrangement is completed?

A: If the Arrangement is completed, Metallica will acquire all of the outstanding Melior Shares, which will result in Melior becoming a wholly-owned subsidiary of Metallica and the Melior Shares will be delisted from the TSX-V. Metallica expects to apply to the applicable Canadian securities regulators to have Melior cease to be a reporting issuer in those provinces where Melior currently maintains such status.

Q: When will I receive the Share Consideration payable to me under the Arrangement for my Melior Shares?

A: You will be entitled to receive the Share Consideration due to you under the Arrangement after the Arrangement Resolution becomes effective and your Letter of Transmittal and all other required documents, including any Melior Share certificate(s), are received by the Depositary. See “*The Arrangement —Principal Steps of Arrangement*” and “*The Arrangement — Procedure for Exchange of Melior Shares*”.

Q: What will happen if the Arrangement Resolution is not approved or the Arrangement is not completed for any reason?

A: If the Arrangement Resolution is not approved or the Arrangement is not completed for any reason, then the Arrangement Agreement may be terminated. If this occurs, Melior will continue to carry on its business operations in the normal course. See “*Risk Factors*”.

In certain circumstances, if the Arrangement Agreement is terminated, Melior or Metallica will be required to pay a break fee of up to A\$300,000 to the other party. See *“The Arrangement – The Arrangement Agreement — Break Fee”*. If the Arrangement Agreement is not completed for any reason, the Letters of Transmittal and any share certificates that have been submitted by Registered Shareholders will be returned to such Registered Shareholders.

Q: What other matters are being considered at the Melior Meeting other than the Arrangement Resolution and the Exemptive Relief Resolution?

A: In addition to the Arrangement Resolution and the Exemptive Relief Resolution being put to Melior Shareholders for approval at the Melior Meeting, Melior Shareholders are also being asked to consider and approve the Annual Resolutions. The Annual Resolutions are being put to Melior Shareholders for approval in the event that the Arrangement is not completed for any reason by December 31, 2018.

If the Arrangement is completed as anticipated, many of the matters contemplated in the Annual Resolutions may cease to be relevant, as Metallica will, upon consummation of the Arrangement, own Melior directly and Melior Shareholders will cease to have any direct interest in Melior.

Q: What do I need to do now?

A: You should carefully read and consider the information contained in this Circular. Registered Shareholders should then complete, sign and date the enclosed form of proxy and return it in the enclosed return envelope, or by facsimile as soon as possible so that your Melior Shares may be voted at the Melior Meeting. To vote by internet, please access the website listed on your proxy and follow the online voting instructions. For your Melior Shares to be eligible to be voted at the Melior Meeting, the form of proxy must be received by TSX Trust Company not later than 10:00 a.m. (Toronto time) on November 23, 2018, or if the Melior Meeting is adjourned or postponed, before 10:00 a.m. (Toronto time) on the Business Day that is two days before the date to which the Melior Meeting is adjourned or postponed. See *“General Proxy Information”*.

We also encourage Registered Shareholders to complete, sign, date and return the enclosed Letter of Transmittal in accordance with the instructions set out therein and in this Circular, so that if the Arrangement is completed the Share Consideration to which you are entitled can be sent to you as soon as possible following completion of the Arrangement.

If you hold Melior Shares through a broker, custodian, nominee or other intermediary, you should follow the instructions provided by your intermediary to ensure your vote is counted at the Melior Meeting and should arrange for your intermediary to complete the necessary steps to ensure that you receive the Share Consideration for your Melior Shares as soon as possible following completion of the Arrangement.

Q: If my Melior Shares are held in street name by my broker, will my broker vote my Melior Shares for me?

A: You must contact your broker as a broker will vote the Melior Shares held by you only if you provide instructions to your broker on how to vote. Without instructions, those Melior Shares will not be voted. Melior Shareholders should instruct their brokers to vote their Melior Shares by following the directions provided to them by their brokers. Unless your broker gives you its proxy to vote the Melior Shares at the Melior Meeting, you cannot vote those Melior Shares owned by you at the Melior Meeting. See *“General Proxy Information — Non-Registered Holders”*.

Q: Can I change my vote after I have voted by proxy?

A: Yes. A Registered Shareholder executing the enclosed form of proxy has the right to revoke it. In addition to revocation in any other manner permitted by law, a Melior Shareholder may revoke a proxy by (a) signing a proxy bearing a later date and depositing it at the place and within the time aforesaid, (b) signing and dating a written notice of revocation (in the same manner as the form of proxy is required to be

executed as set out in the notes to the form of proxy) and either depositing it at the place and within the time aforesaid or with the Chairman of the Melior Meeting on the day of the Melior Meeting or on the day of any adjournment thereof, or (c) registering with the scrutineer at the Melior Meeting as a shareholder present in person, whereupon such proxy shall be deemed to have been revoked.

If you are a Non-Registered Shareholder, you should contact your intermediary through which you hold Melior Shares and obtain instructions regarding the procedure for the revocation of any voting instruction that you have previously provided to your intermediary.

See “*General Proxy Information — Revocations of Proxies*”.

Q: How will the Arrangement impact the continuance of Melior from British Columbia to Australia, as approved by Melior Shareholders on August 29, 2018?

A: It is anticipated that after the Arrangement is completed, or not completed for any reason, Melior will thereafter be continued from British Columbia to Australia.

TABLE OF CONTENTS

INTRODUCTION	I
NOTICE TO U.S. SHAREHOLDERS	II
CAUTIONARY NOTICE TO U.S. SHAREHOLDERS REGARDING MINERAL RESERVES AND MINERAL RESOURCES.....	III
FORWARD LOOKING STATEMENTS	V
CURRENCY AND ACCOUNTING PRINCIPLES	V
GLOSSARY OF TERMS.....	VI
SUMMARY.....	XV
GENERAL PROXY INFORMATION.....	1
SOLICITATION OF PROXIES	1
APPOINTMENT OF PROXY	1
VOTING BY PROXY AND EXERCISE OF DISCRETION	2
REVOCATION OF PROXIES.....	2
NON-REGISTERED HOLDERS	2
INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS.....	3
INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON.....	3
INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS.....	4
RECORD DATE	4
VOTING SECURITIES	4
PRINCIPAL SHAREHOLDERS	5
BUSINESS OF THE MEETING.....	5
ARRANGEMENT RESOLUTION	5
EXEMPTIVE RELIEF RESOLUTION	6
FINANCIAL STATEMENTS.....	7
ELECTION OF DIRECTORS	7
REAPPOINTMENT OF AUDITOR.....	10
APPROVAL OF MELIOR STOCK OPTION PLAN	11
STATEMENT OF EXECUTIVE COMPENSATION.....	11
SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS	15
STATEMENT OF CORPORATE GOVERNANCE PRACTICES.....	17
AUDIT COMMITTEE INFORMATION	18
THE ARRANGEMENT.....	18
PURPOSE OF THE ARRANGEMENT	18
PRINCIPAL STEPS OF THE ARRANGEMENT	19
TREATMENT OF WARRANTS AND OPTIONS.....	20
BACKGROUND TO THE ARRANGEMENT.....	21
RECOMMENDATION OF THE MELIOR BOARD	25
REASONS FOR THE ARRANGEMENT.....	26
FAIRNESS OPINION	28
APPROVAL OF THE ARRANGEMENT RESOLUTION	29
SUPPORT AGREEMENTS AND MELIOR VOTING INTENTION AGREEMENT	29
COMPLETION OF THE ARRANGEMENT.....	30
EFFECT OF THE ARRANGEMENT ON SHAREHOLDERS' RIGHTS	30
COURT APPROVAL OF THE ARRANGEMENT	30
REGULATORY, STOCK EXCHANGE AND SECURITIES LAW MATTERS	31

RISKS FACTORS	36
ARRANGEMENT AGREEMENT	39
DISSENT RIGHTS.....	52
DISSENT NOTICES	53
EFFECT OF VOTING ON THE ARRANGEMENT RESOLUTION.....	53
SEQUENCE OF EVENTS	53
EFFECT OF LOSS OF DISSENT RIGHTS	54
STRICT COMPLIANCE WITH DISSENT PROVISIONS REQUIRED	54
CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....	54
HOLDERS RESIDENT IN CANADA	55
HOLDERS NOT RESIDENT IN CANADA	58
INFORMATION CONCERNING MELIOR	59
STATEMENT OF RIGHTS.....	61
INFORMATION CONCERNING METALLICA BEFORE AND AFTER THE ARRANGEMENT	61
GENERAL INFORMATION.....	61
EXPERTS	61
OTHER MATERIAL FACTS	62
ADDITIONAL INFORMATION.....	62
ADDITIONAL BUSINESS.....	62
BOARD APPROVAL	62
CONSENT OF KPMG.....	63

APPENDICES

APPENDIX “A” ARRANGEMENT RESOLUTION	A-1
APPENDIX “B” PLAN OF ARRANGEMENT UNDER PART 9, DIVISION 5 OF THE <i>BUSINESS CORPORATIONS ACT</i> (BRITISH COLUMBIA)	B-1
APPENDIX “C” INTERIM ORDER	C-1
APPENDIX “D” FAIRNESS OPINION.....	D-1
APPENDIX “E” NOTICE OF PETITION FOR FINAL ORDER	E-1
APPENDIX "F" INFORMATION CONCERNING METALLICA	F-1
APPENDIX "G" INFORMATION CONCERNING METALLICA FOLLOWING THE ARRANGEMENT	G-1
APPENDIX “H” 2018, 2017 AND 2016 ANNUAL FINANCIAL REPORTS OF METALLICA.....	H-1
APPENDIX “I” PRO FORMA FINANCIALS	I-1
APPENDIX “J” COMPARISON OF RELEVANT LAWS.....	J-1
APPENDIX “K” MELIOR STOCK OPTION PLAN RESOLUTION	K-1
APPENDIX “L” MELIOR STOCK OPTION PLAN	L-1
APPENDIX “M” CORPORATE GOVERNANCE PRACTICES	M-1
APPENDIX “N” CHARTER OF THE AUDIT COMMITTEE.....	N-1
APPENDIX “O” SECTIONS 237 TO 247 OF THE BCBCA.....	O-1

INTRODUCTION

This Circular is furnished in connection with the solicitation of proxies by the management of Melior for use at the Melior Meeting to be held on November 27, 2018, and any adjournment or postponement thereof. No person has been authorized to give any information or make any representations in connection with the Arrangement or other matters to be considered at the Melior Meeting, other than those contained in this Circular and if given or made, any such information or representation must not be relied upon as having been authorized.

This Circular does not constitute an offer to sell, or a solicitation of an offer to acquire, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer of proxy solicitation. Neither the delivery of this Circular nor any distribution of securities referred to herein shall, under any circumstances, create any implication that there has been no change in the information set forth herein since the date of this Circular.

The Arrangement has not been approved or disapproved by any securities regulatory authority, nor has any securities regulatory authority passed upon the fairness or merits of the Arrangement or upon the accuracy or adequacy of the information contained in this Circular and any representation to the contrary is unlawful.

The information concerning Metallica, its affiliates and the Metallica Shares contained in this Circular has been provided by Metallica for inclusion in this Circular. In the Arrangement Agreement, Metallica provided a covenant to Melior that it would ensure that no information provided by it for the preparation of this Circular will include any untrue statement of a material fact or omit to state a material fact required to be stated in the Circular in order to make any information so furnished or any information concerning Metallica not misleading in light of the circumstances in which it is disclosed and shall constitute full, true and plain disclosure of such information concerning Metallica. Although Melior has no knowledge that would indicate that any of such information is untrue or incomplete, neither Melior nor its officers or directors assumes any responsibility for the accuracy or completeness of such information or the failure by Metallica to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to Melior.

Except where otherwise indicated, the information contained in this Circular is dated as at October 25, 2018.

The Melior Meeting has been called primarily for the purpose of considering and, if deemed advisable, passing the Arrangement Resolution approving the Arrangement and the Exemptive Relief Resolution, in the event the Arrangement is completed, as well as the Annual Resolutions in the event the Arrangement does not proceed.

All summaries of, and references to, the Arrangement in this Circular are qualified in their entirety by reference to the complete text of the Plan of Arrangement, a copy of which is attached as **Appendix “B”** to this Circular. **You are urged to carefully read the full text of the Plan of Arrangement.**

All capitalized terms used in this Circular but not otherwise defined herein have the meanings set forth herein under “*Glossary of Terms*”.

NOTICE TO U.S. SHAREHOLDERS

THE ARRANGEMENT AND THE SECURITIES ISSUABLE IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITIES IN ANY STATE, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE PASSED ON THE FAIRNESS OR MERITS OF THE ARRANGEMENT OR UPON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Metallica Shares, Metallica Replacement Options and Metallica Replacement Warrants to be issued to the Melior Securityholders in exchange for the Melior Securities pursuant to the Arrangement have not been registered under the 1933 Act or applicable state securities laws and will be issued in reliance on the Section 3(a)(10) Exemption on the basis of the approval of the Court, and similar exemptions from registration under applicable state securities law. The Section 3(a)(10) Exemption exempts the issuance of any securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction that is expressly authorized by law to grant such approval, after a hearing upon the fairness of the terms and conditions of such issuance and exchange at which all persons to whom it is proposed to issue the securities have the right to appear and receive timely and adequate notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court issued the Interim Order on October 22, 2018 and, subject to the approval of the Arrangement by the Melior Shareholders, a hearing on the Arrangement will be held on December 10, 2018 at 9:45 a.m. (Vancouver Time) at the Courthouse, at 800 Smithe Street, Vancouver, British Columbia, Canada. All Melior Securityholders are entitled to appear and be heard at this hearing. The Final Order will, if granted after the Court considers the substantive and procedural fairness of the Arrangement to the Melior Securityholders, constitute a basis for the exemption from the registration requirements of the 1933 Act provided by the Section 3(a)(10) Exemption with respect to the Metallica Shares, Metallica Replacement Options and Metallica Replacement Warrants to be issued to Melior Securityholders in exchange for their Melior Securities pursuant to the Arrangement. Prior to the hearing on the Final Order, the Court will be informed of this effect of the Final Order. See *“The Arrangement –Regulatory Law Matters and Securities Law Matters”*.

The solicitation of Melior proxies is being made and the transactions contemplated herein is undertaken by a Canadian issuer in accordance with Canadian corporate and securities laws and is not subject to the requirements of Section 14(a) of the 1934 Act by virtue of an exemption applicable to proxy solicitations by “foreign private issuers” (as defined in Rule 3b-4 under the 1934 Act). Accordingly, this Circular has been prepared in accordance with the applicable disclosure requirements in Canada, and the solicitations and transactions contemplated in this Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and securities laws, which are different from the requirements applicable to proxy solicitations under the 1934 Act. Shareholders should be aware that disclosure requirements under such Canadian laws are different from requirements under United States corporate and securities laws relating to issuers organized under United States laws, and this Circular has not been filed with or approved by the SEC or the securities regulatory authority of any state within the United States.

The financial statements of Melior and other financial information of Melior included or incorporated by reference in this Circular have been prepared in accordance with IFRS and are subject to Canadian auditing and auditor independence standards, as applicable. The financial statements of Metallica and other financial information of Metallica included in this Circular have been prepared in compliance with Australian Accounting Standards, as issued by the Australian Accounting Standards Board, which compliance ensures compliance with IFRS and are subject to Australian auditing and auditor independence standards, as applicable. As a result, such financial statements and financial information of Melior and Metallica may not be comparable to financial statements prepared in accordance with United States generally accepted accounting principles and United States auditing and auditor independence standards.

Melior Shareholders, Melior Optionholders and Melior Warrantholders should be aware that the acquisition by Melior Shareholders, Melior Optionholders and Melior Warrantholders of Metallica Shares, Metallica Replacement Options and Metallica Replacement Warrants, as applicable, pursuant to the Arrangement described herein may have tax consequences in both the United States and Canada. U.S. Melior Shareholders, Melior Optionholders and Melior Warrantholders and other non-resident Melior Shareholders are advised to consult their tax advisors to determine the particular tax consequences to them of the Arrangement.

The enforcement by investors of civil liabilities under the United States securities laws may be affected adversely by the fact that Melior and Metallica are each organized under the laws of a jurisdiction outside the United States, that most, if not all, of their respective officers and directors are residents of countries other than the United States, that the experts named in this Circular are residents of countries other than the United States, and that all or a substantial portion of the assets of Melior and Metallica and such other persons may be located outside the United States. As a result, it may be difficult or impossible for Melior Securityholders in the United States to effect service of process within the United States upon Melior, Metallica, their respective officers or directors or the experts named herein, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States. In addition, Metallica Securityholders in the United States should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States.

The Metallica Shares to be issued to Melior Shareholders pursuant to the Arrangement will be freely transferable under U.S. federal securities laws, except by persons who are “affiliates” (as such term is defined under Rule 144) of Metallica after the Effective Date, or were “affiliates” of Metallica within 90 days prior to the Effective Date. Persons who may be deemed to be “affiliates” of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract, or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer. Any resale of such Metallica Shares by such an affiliate (or former affiliate) may be subject to the registration requirements of the 1933 Act, absent an exemption therefrom. Melior Securityholders in the United States who are affiliates of Metallica solely by virtue of their status as an officer or director of Metallica may sell their Metallica Shares outside the United States in compliance with Regulation S under the 1933 Act. See *“The Arrangement – Regulatory Law Matters and Securities Law Matters”*.

The Section 3(a)(10) Exemption does not exempt the issuance of securities upon the exercise of securities that were previously issued pursuant to the Section 3(a)(10) Exemption. Therefore, the Metallica Shares issuable upon exercise of the Metallica Replacement Options or Metallica Replacement Warrants may not be issued in reliance upon the Section 3(a)(10) Exemption and the Metallica Replacement Options and Metallica Replacement Warrants may only be exercised pursuant to an available exemption from the registration requirements of the 1933 Act and applicable state securities laws. Prior to the issuance of Metallica Shares pursuant to any such exercise after the Effective Time, Metallica may require evidence (which may include in an opinion of counsel) reasonably satisfactory to Metallica to the effect that the issuance of such Metallica Shares do not require registration under the 1933 Act or applicable state securities laws.

No broker, dealer, salesperson or other person has been authorized to give any information or make any representation other than those contained in this Circular and, if given or made, such information or representation must not be relied upon as having been authorized by Melior or Metallica.

CAUTIONARY NOTICE TO U.S. SHAREHOLDERS REGARDING MINERAL RESERVES AND MINERAL RESOURCES

Information concerning the mineral properties of Metallica and Melior in this Circular or in the documents incorporated by reference herein have been prepared in accordance with the requirements of Canadian securities laws, which differ in material respects from the requirements of U.S. securities laws applicable to U.S. companies subject to the reporting and disclosure requirements of the SEC. In accordance with NI 43-101, the terms “mineral

reserve”, “proven mineral reserve”, “probable mineral reserve”, “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” used in this Circular or in the documents incorporated by reference in this Circular are defined in the Canadian Institute of Mining, Metallurgy and Petroleum (the “**CIM**”) Definition Standards for Mineral Resources and Mineral Reserves adopted by the CIM Council, as amended. While the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are recognized and required by NI 43-101, the SEC does not recognize them. Under SEC standards, mineralization may not be classified as a “reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time of the reserve determination, and the SEC does not recognize the reporting of mineral deposits which do not meet the SEC Industry Guide 7 definition of “reserve”. Melior Securityholders in the United States are cautioned that, except for that portion of the mineral resources classified as mineral reserves, mineral resources do not have demonstrated economic value. Inferred mineral resources have a high degree of uncertainty as to their existence and as to whether they can ever be upgraded to a higher category that can be economically or legally mined. Under Canadian securities laws, estimates of inferred mineral resources may not form the basis of an economic analysis. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities regulations, estimates of inferred mineral resources may not form the basis of feasibility or other economic studies, except in rare cases. Disclosure of contained ounces is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report resources as in place tonnage and grade without reference to unit measures. **Therefore, Melior Securityholders in the United States are cautioned not to assume that all or any part of an inferred mineral resource exists, that it can be economically or legally mined, or that it will ever be upgraded to a higher category. Likewise, Melior Securityholders in the United States are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be upgraded to mineral reserves.**

FORWARD LOOKING STATEMENTS

The information provided in this Circular, including the Appendices hereto and information incorporated by reference, contains “forward-looking statements” about Metallica and Melior within the meaning of Canadian securities legislation. In addition, Metallica and Melior may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of Metallica or Melior in connection with this Arrangement that are not statements of historical fact and may also constitute forward-looking statements.

All statements, other than statements of historical fact, made by Metallica and Melior that address activities, events or developments that Metallica and Melior expect or anticipate will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. These forward-looking statements include but are not limited to statements and information concerning: the Arrangement; compliance with covenants by Melior and Metallica pursuant to the Arrangement Agreement; the timing for the implementation of the Arrangement and the potential benefits of the Arrangement; the likelihood of the Arrangement being completed; principal steps of the Arrangement; statements made in, and based upon, the Fairness Opinion; statements relating to the business and future activities of, and developments related, to Melior and Metallica after the date of this Circular and prior to the Effective Time and to and of Metallica after the Effective Time; Melior Shareholder approval and Court approval of the Arrangement; regulatory approval of the Arrangement; Metallica Shareholder approval of the Metallica Arrangement Resolution; market position, and future financial or operating performance of Metallica; liquidity of Metallica Shares following the Effective Time; the application for an exemptive relief order; the adequacy of financial resources; and other events or conditions that may occur in the future.

These statements speak only as of the date they are made and are based on information currently available and on the then-current expectations of Metallica and Melior and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the heading “*The Arrangement – Risks Associated with the Arrangement*”, and in Appendix “F” – “*Information Concerning Metallica*”, incorporated by reference herein under the heading “*Risk Factors*” and in other documents incorporated by reference in this Circular.

Consequently, all forward-looking statements made in this Circular including the Appendices hereto and information incorporated by reference are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on Metallica or Melior. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that Metallica, Melior and/or persons acting on their behalf may issue. Metallica and Melior undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by applicable securities laws. For all of these reasons, Melior Shareholders should not place undue reliance on forward-looking statements.

CURRENCY AND ACCOUNTING PRINCIPLES

Unless otherwise indicated herein, references to “\$”, “Cdn\$” or “Canadian dollars” are to Canadian dollars, and references to “A\$”, “AUS\$” or “AUD\$” are to Australian dollars, and references to “US\$” or “U.S. dollars” are to United States dollars.

The historical financial statements of Melior incorporated by reference in this Circular are reported in Canadian dollars and have been prepared in accordance with IFRS. The historical financial statements of Metallica attached to this Circular are reported in Australian dollars and have been prepared in compliance with Australian Accounting

Standards and Interpretations issued by the Australian Accounting Standards Board, which compliance ensures compliance with IFRS, as issued by the International Accounting Standards Board.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed on SEDAR by Melior with securities commissions or similar authorities in Canada, are specifically incorporated by reference into, and form an integral part of, this Circular:

1. the Arrangement Agreement (filed as a material document on September 21, 2018) except for the Plan of Arrangement attached thereto as Schedule "A" which is superseded in its entirety by the Plan of Arrangement attached hereto as Appendix "B";
2. the material change report of Melior dated September 21, 2018, relating to the entering into of the Arrangement Agreement;
3. the Melior Support Agreements and the Melior Voting Intention Agreement (filed as material documents on October 26, 2018);
4. the audited consolidated financial statements of Melior for the years ended June 30, 2018 and June 30, 2017 (as refiled) and the MD&A filed in connection with the audited consolidated financial statements for the financial year ended June 30, 2018;
5. the news releases of Melior dated July 24, 2018 and August 10, 2018, relating to the loan agreement with the Lender replacing the two loan facilities that were then in place with the Lender (the "**Amended and Restated Loan Agreement**");
6. the material change report of Melior dated August 10, 2018, relating to the entering into of the Amended and Restated Loan Agreement; and
7. the technical report for the Goondicum Project titled "*Preliminary Economic Assessment, Goondicum 2018 prepared for Melior Resources Inc.*" dated April 20, 2018 with an effective date of December 16, 2017 prepared by Steven Gilman, BAppSc (Extractive Metallurgy), FAusIMM(CP), SME, Principal Consultant of TZ Minerals International Pty Ltd.

All amendments to the Arrangement Agreement, the Melior Support Agreements, the Melior Voting Intention Agreement and any material change report relating to the Arrangement (other than confidential material change reports) filed by Melior with any securities commission or similar regulatory authority in Canada after the date of this Circular and prior to the earlier of the date of the Melior Meeting or the termination of the Arrangement Agreement shall be deemed to be incorporated by reference in this Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded, for the purposes of this Circular, to the extent that a statement contained in any other subsequently filed document that also is or is deemed to be incorporated by reference herein, modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed to be an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Circular.

GLOSSARY OF TERMS

In this Circular and the accompanying Notice of Meeting, unless there is something in the subject matter inconsistent therewith, the following terms shall have the respective meanings set out below.

"**1933 Act**" means the Securities Act of 1933, as amended, of the United States of America.

“1934 Act” means the Securities Exchange Act of 1934, as amended, of the United States of America.

“ACA” means the Australian *Corporations Act 2001* (Cth) as amended from time to time.

“Acquisition Proposal” means, with respect to Metallica or Melior, other than the transaction contemplated by the Arrangement Agreement, any bona fide offer, proposal, expression of interest or inquiry from any Person, made after the date of the Arrangement Agreement, whether directly or indirectly, or in one transaction or a series of transactions, relating to: (i) any acquisition of 20% or more of any voting or equity securities of such Party or any of its subsidiaries; (ii) any acquisition of 20% or more of the fair market value of the assets of such Party or its subsidiaries; (iii) any amalgamation, arrangement, merger, or consolidation involving such Party or its subsidiaries; or (iv) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization into a royalty trust or income fund or similar transaction involving such Party or its subsidiaries or any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by the Arrangement Agreement or the Arrangement or which would or could reasonably be expected to materially reduce the benefits to the other Party under the Arrangement Agreement or the Arrangement.

“AIF” has the meaning ascribed to “AIF” in NI 51-102.

“Appendices” means the appendices to this Circular which are incorporated herein and form part of this Circular.

“Application for In-Principle Determination” means the Metallica application for in-principle advice from ASX in connection with: (i) the application of ASX Listing Rules 11.1.2 and 11.1.3 in connection with the Arrangement including, if relevant suitability for re-admission to the official list of ASX under ASX Listing Rules; (ii) whether ASX will treat any of the Share Consideration as ‘Restricted Securities’ under the ASX Listing Rules; (iii) the proposed exchange of Melior Options and Melior Warrants under subsections 2.17 and 2.18 of the Arrangement Agreement; and (iv) its compliance with ASX Listing Rules, arising from the transactions contemplated under the Arrangement Agreement generally.

“Arrangement” means the arrangement under Division 5 of Part 9 of the BCBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations thereto or at the direction of the Court made in accordance with the Arrangement Agreement and the Plan of Arrangement.

“Arrangement Agreement” means the arrangement agreement dated September 12, 2018 between Melior and Metallica, together with the schedules attached thereto, as amended or supplemented from time to time.

“Arrangement Resolution” means the special resolution approving the Plan of Arrangement to be considered at the Melior Meeting substantially in the form set out in Appendix “A”.

“ASIC” mean the Australian Securities and Investment Commission.

“ASX” means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as appropriate.

“ASX Listing Rules” means the listing rules of ASX, as may be waived or modified by ASX from time to time.

“Audit Committee” means the audit and risk management committee of the Melior Board.

“BCBCA” means the *Business Corporations Act* (British Columbia) and the regulations made thereunder, as promulgated or amended from time to time.

“Broadridge” means Broadridge Financial Solutions Inc.

“Business Combination” has the meaning ascribed to “business combination” in MI 61-101.

“Business Day” means any day, other than a Saturday, a Sunday or a statutory or civic holiday in Toronto, Ontario,

Vancouver, British Columbia or Brisbane, Queensland.

“CSA” means the voluntary umbrella organization of Canada’s provincial and territorial securities regulators.

“Circular” means, collectively, the Notice of Meeting and this management information circular of Melior dated October 25, 2018, including all appendices hereto, as furnished to the Melior Shareholders with the assistance of Metallica in connection with the solicitation of proxies for use at the Melior Meeting.

“Completion Deadline” means the date by which the transactions contemplated by the Arrangement Agreement are to be completed, which date shall be no later than December 31, 2018.

“Court” means the Supreme Court of British Columbia.

“CRA” means the Canada Revenue Agency.

“Depository” means TSX Trust Company, which has been appointed by Melior as depository for, among other things, receiving Letters of Transmittal and facilitating the distribution of Metallica Shares to Melior Shareholders under the Arrangement.

“Dissent Notice” means a written objection to the Arrangement Resolution made by a Registered Shareholder in accordance with the Dissent Rights.

“Dissent Rights” means the rights of Melior Shareholders to dissent to the Arrangement provided in the BCBCA, as modified by the Plan of Arrangement, the Interim Order and any other order of the Court.

“Dissenting Shareholders” means Melior Shareholders who duly and validly exercise their Dissent Rights and thereby become entitled to receive the fair value of their Melior Shares.

“Dissenting Shares” means Melior Shares in respect of which a Dissenting Shareholder has validly exercised a Dissent Right.

“Effective Date” means the date on which the Arrangement becomes effective as provided in the Plan of Arrangement.

“Effective Time” means 12:01 a.m. (Vancouver time) on the Effective Date or such other time on the Effective Date as the Parties may agree in writing.

“Eligible Institution” means a Canadian Schedule I chartered bank, a member of the Securities Transfer Agent Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange, Inc. Medallion Signature Program (MSP).

“Exchange Rate” means \$1.0741, the \$ to A\$ daily exchange rate on the date of the Arrangement Agreement as reported by the Bank of Canada.

“Exchange Ratio” means 20, which is the number representing the Share Consideration.

“Excluded Persons” means those Melior Shareholders who are excluded from voting on the ordinary resolution to approve the Arrangement as required by MI 61-101 who are not Minority Shareholders and, in particular, include the Lender and Martyn Buttenshaw.

“Fairness Opinion” means the written fairness opinion dated September 11, 2018 as prepared for the Special Committee by KPMG, a copy of which is attached as Appendix “D” to this Circular.

“Final Order” means the order of the Court pursuant to subsection 291 of the BCBCA approving the Arrangement, as such order may be amended at any time prior to the Effective Date or, if appealed, then unless such appeal is

withdrawn or denied, as affirmed.

“Financial Advisor” means Argonaut Capital Limited.

“Formal Valuation” means a valuation prepared in accordance with Part 6 of MI 61-101.

“Goondicum” means Goondicum Resources Pty Ltd (ACN 058 011 368).

“Goondicum Budget” means the budget for the restart of the Goondicum Mine provided by Melior to Metallica in writing prior to the date of execution of the Arrangement Agreement.

“Goondicum Mine” means the ilmenite and apatite mine located at the Goondicum Project.

“Goondicum Project” means the project located approximately 30km due east of the town of Monto, or approximately 50km by bitumen and dirt road, in Central Queensland, Australia.

“Governmental Authority” means: (i) any multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign; (ii) any subdivision, agent, commission, board or authority of any of the foregoing; (iii) any quasi-governmental or private body, including any tribunal, commission, regulatory agency or self-regulatory organization, exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing; or (iv) any stock exchange, including the TSX-V and the ASX.

“IFRS” means the International Financial Reporting Standards as issued by the International Accounting Standards Board.

“Independent Expert” means an independent expert to be engaged by Metallica to express an opinion on each of the Relevant Matters.

“Independent Expert’s Report” means the report from the Independent Expert commissioned by Metallica, and any update to such report that the Independent Expert issues prior to the Effective Date.

“Interested Party” has the meaning ascribed to “interested party” in MI 61-101.

“Interim Order” means the interim order of the Court granted October 22, 2018, a copy of which is attached as Appendix “C” to this Circular, as such order may be amended, pursuant to subsection 291 of the BCBCA made in connection with the Arrangement providing for, among other things, the calling and holding of the Melior Meeting, as such order may be amended, supplemented or varied by the Court (with the consent of the Parties, acting reasonably).

“KPMG” means KPMG LLP.

“Laws” means all laws (including common law), by-laws, statutes, rules, regulations, principles of law and equity, orders, rulings, ordinances, judgements, injunctions, determinations, awards, decrees or other requirements, whether domestic or foreign, and the terms and conditions of any grant of approval, permission, authority or licence of any Governmental Authority or self-regulatory authority (including, with respect to Melior, the TSX-V Corporate Finance Policies, and with respect to Metallica, the rules and policies of the ASX), and the term **“applicable”** with respect to such Laws and in a context that refers to one or more Parties, means such Laws as are applicable to such party or its business, undertaking, property or securities and emanate from a Person having jurisdiction over the party or Parties or its or their business, undertaking, property or securities.

“Lender” means, Pala Investments Limited, being a lender to Melior.

“Lender Agreement” means the secured loan agreement dated August 9, 2018, between Melior, Melior Australia, Goondicum and the Lender, in the principal amount of US\$13,750,000.

“Lender Consent Letter” means the consent letter dated as of August 28, 2018, among the Lender and Melior, pursuant to which, among other things, the Lender consented to the Arrangement upon the terms and conditions set out therein and waived certain covenants of Melior under the Lender Agreement in connection with the Arrangement.

“Letter of Intent” means the non-binding letter of intent dated July 6, 2018 between Metallica and Melior, setting out, among other things, the terms and conditions of the Arrangement.

“Material Adverse Effect” means in respect of any Person, any change, effect, event or occurrence that individually or in the aggregate with other such changes, effects, events or occurrences, is or would reasonably be expected to be, material and adverse to the business, results of operations or financial condition of that Person and its subsidiaries, taken as a whole, except any change, effect, event or occurrence resulting from or relating to: (i) the announcement of the execution of this Agreement or the transactions contemplated; (ii) changes in general economic, securities, financial, banking or currency exchange markets; (iii) any change in IFRS; (iv) any natural disaster provided that it does not have a materially disproportionate effect on that Person relative to comparable exploration and/or mining companies; (v) changes affecting the mining industry generally or the price of bauxite, ilmenite or apatite, provided that such changes do not have a materially disproportionate effect on that Person relative to comparable mining and/or exploration companies; (vi) generally applicable changes in applicable Law; (vii) the commencement or continuation of any war, armed hostilities or acts of terrorism; (viii) changes in political or civil conditions in any jurisdiction in which the Person has projects, operates or carries on business that do not disproportionately affect that Person relative to comparable mining and/or exploration companies; (ix) any actions taken (or omitted to be taken) upon the request of the other Party or pursuant to this Agreement; or (x) any decrease in the market price or any decline in the trading volume of that Person’s common or ordinary shares on the principal stock exchange for such securities (it being understood that the causes underlying such change in market price or trading volume (other than those in items (i) to (viii) above) may be taken into account in determining whether a Material Adverse Effect has occurred); provided that references in certain sections of, or definitions in, this Agreement to dollar amounts are not intended to be, and shall not be deemed to be illustrative or interpretation for the purposes of determining whether a “Material Adverse Effect” has occurred.

“McCauley Employment Agreement” means employment agreement between Mr. Mark McCauley and Melior.

“McCauley Waiver Letter” means the waiver letter dated as of August 29, 2018 among Mark McCauley, Metallica and Melior, pursuant to which in connection with the Arrangement, Mr. McCauley waived the requirement under the McCauley Employment Agreement that Melior make a payment to Mr. McCauley in the event of a change of control of Melior.

“MD&A” has the meaning ascribed to “MD&A” in NI 51-102.

“Melior” means Melior Resources Inc., a corporation existing under the BCBCA.

“Melior Australia” means Melior Australia Pty Ltd (ACN 168 683 798).

“Melior Board” means the board of directors of Melior as the same is constituted from time to time.

“Melior Break Fee” has the meaning ascribed thereto in subsection 6.2(b) of the Arrangement Agreement.

“Melior Meeting” means the annual and special meeting, including any adjournments or postponements thereof, of the Melior Shareholders to be held, among other things, to consider and, if deemed advisable, to approve the Arrangement and the Arrangement Resolution.

“Melior Options” means, collectively, an aggregate of up to 1,866,666 options as set out in Schedule C of the Arrangement Agreement.

“Melior Securities” means, collectively, the Melior Shares, Melior Options and Melior Warrants.

“Melior Securityholders” means, collectively, the Melior Shareholders, the holders of Melior Options and the

holders of Melior Warrants.

“Melior Shareholders” means the holders of Melior Shares.

“Melior Shares” means the common shares in the capital of Melior.

“Melior Stock Option Plan” means the stock option plan of Melior dated October 17, 2006, as amended on September 28, 2007, November 15, 2010, October 27, 2011 and January 22, 2016.

“Melior Subsidiaries” has the meaning ascribed thereto in subsection 3.1(b) of the Arrangement Agreement.

“Melior Support Agreements” means, collectively, the support agreements between Metallica and/or Melior and each of the Melior Support Parties.

“Melior Support Parties” means the persons who executed and delivered to Metallica a Melior Support Agreement including the Lender, Panorama Ridge Pty Ltd. and Belmont Park Investments Pty Ltd.

“Melior Voting Intention Agreement” means the voting intention agreement between Melior and Takota.

“Melior Warrants” means, collectively, the outstanding warrants to purchase Melior Shares, as set out in Schedule C of the Arrangement Agreement.

“Metallica” means Metallica Minerals Limited, a company incorporated under the Laws of the Commonwealth of Australia.

“Metallica Arrangement Resolution” means the resolutions of Metallica Shareholders approving the corporate actions required by Metallica to effect the Arrangement and required by the ASX, including the issuance by Metallica of the Share Consideration, Metallica Replacement Options and Metallica Replacement Warrants under the Arrangement, and the exercise by the Lender of any Metallica Replacement Warrants held by it, to be considered at the Metallica Meeting, in the form to be agreed by the Parties, each acting reasonably.

“Metallica Board” means the board of directors of Metallica as the same is constituted from time to time.

“Metallica Board Recommendation” has the meaning ascribed thereto in subsection 4.2(b)(ii) of the Arrangement Agreement.

“Metallica Break Fee” has the meaning ascribed thereto in subsection 6.2(a) of the Arrangement Agreement.

“Metallica Meeting” means the special meeting, including any adjournments or postponements thereof, of the Metallica Shareholders to be held, among other things, to consider and, if deemed advisable, to approve by ordinary resolution each resolution necessary to effect the Arrangement and the Metallica Arrangement Resolution, as well as by special resolution the resolution necessary to effect the Metallica Name Change.

“Metallica Name Change” has the meaning ascribed thereto in Section 2.4 of the Arrangement Agreement.

“Metallica Proxy Circular” means the management information circular, including all schedules and exhibits thereto, to be prepared by Metallica with the assistance of Melior in respect of the Metallica Meeting.

“Metallica Replacement Options” means the stock options of Metallica to be granted to the holders of Melior Options on the terms and conditions set out in the Plan of Arrangement.

“Metallica Replacement Warrants” means the ordinary share purchase options of Metallica to be issued to the holders of Melior Warrants on the terms and conditions set out in the Plan of Arrangement.

“Metallica Shareholders” means the holders of Metallica Shares.

“**Metallica Shares**” means the ordinary shares in the capital of Metallica.

“**Metallica Subsidiaries**” has the meaning ascribed thereto in subsection 4.1(b) of the Arrangement Agreement.

“**Metallica Support Parties**” means the persons who executed and delivered to Melior a Metallica Voting Intention Agreement, including Kate Slesarewich, Plan-1 Pty Ltd, Lewis Shotter, Doloc Pty Ltd, Michael Robert Hennessey, Tina Moloney, Steve Boulton and Peter Turnbull.

“**Metallica Voting Intention Agreements**” means, collectively, the voting intention agreements between Metallica and each of the Metallica Support Parties.

“**MI 11-102**” means Multilateral Instrument 11-102 – *Passport System*.

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Shareholders in Special Transactions*.

“**Minority Approval**” has the meaning ascribed to “minority approval” in MI 61-101.

“**Minority Shareholders**” means holders of Melior Shares other than the Excluded Persons.

“**NI 43-101**” means National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.

“**NI 45-102**” means National Instrument 45-102 *Resale of Securities*.

“**NI 51-102**” means National Instrument 51-102 *Continuous Disclosure Obligations*.

“**NI 52-109**” means National Instrument 52-109 *Certification of Disclosure*.

“**NI 54-101**” means National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer*.

“**NI 58-101**” means National Instrument 58-101 *Disclosure of Corporate Governance Practices*.

“**NI 71-102**” means National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*.

“**Non-Registered Holder**” means a Melior Shareholder who is not a Registered Shareholder.

“**Notice of Petition**” means the notice of petition for the Final Order approving the Arrangement dated October 22, 2018, a copy of which is attached as Appendix “E” to this Circular.

“**Pala**” means, Pala Investments Limited.

“**Person**” includes an individual, partnership, association, syndicate, unincorporated organization, trust, body corporate, trustee, executor, administrator, legal representative, government (including any Governmental Authority) or any other entity, whether or not having legal status.

“**Parties**” means Melior and Metallica and “**Party**” means any one of them.

“**Plan of Arrangement**” means the plan of arrangement, substantially in the form of Appendix “B” hereto, and any amendments or variations thereto made in accordance with the Arrangement Agreement or the Plan of Arrangement or at the direction of the Court with the written consent of Melior and Metallica, each acting reasonably.

“**Qualified Person**” has the meaning ascribed thereto in NI43-101.

“**Receiving Party**” has the meaning ascribed thereto in subsection 6.1(b)(v)(A) of the Arrangement Agreement.

“Record Date” means October 19, 2018.

“Registered Shareholder” means a registered holder of Melior Shares.

“Registrar” means the Registrar of Companies appointed pursuant to Section 400 of the BCBCA.

“Regulation S” means Regulation S under the 1933 Act.

“related party” has the meaning ascribed thereto in MI 61-101.

“Relevant Matters” means: (i) the transactions contemplated or arising out of the Arrangement Agreement; and (ii) any matter that the Independent Expert is required, under the ACA, ASX Listing Rules or any applicable rules, regulations or regulatory guides under the ACA or the ASX Listing Rules, to provide an opinion on.

“Relevant Metallica Resolutions” has the meaning ascribed thereto in subsection 4.2(b)(iii) of the Arrangement Agreement;

“Reporting Provinces” means, collectively, the provinces of British Columbia, Alberta, Manitoba and Ontario.

“Representative” when used with respect to a Party means each director, officer, employee, agent, consultant, adviser (including any financial, legal or other advisors), Affiliate and other representative of that Party who is involved in the transactions contemplated by this Agreement.

“Responding Party” has the meaning ascribed thereto in subsection 6.1(c) of the Arrangement Agreement.

“Restriction Agreement” means a restriction agreement substantially in the form set out in Appendix 9B of the ASX Listing Rules.

“Rule 144” means Rule 144 under the 1933 Act.

“SEC” means the Securities and Exchange Commission of the United States of America.

“Section 3(a)(10) Exemption” means the exemption from the registration requirements of the 1933 Act provided under Section 3(a)(10) thereof.

“Securities Act” means the *Securities Act* (Ontario) and the rules, regulations and published policies made thereunder, as now in effect and as they may be promulgated or amended from time to time.

“Securities Authorities” means each securities regulatory authority operating in (i) the Reporting Provinces, and (ii) Australia, where Metallica Shares are officially quoted by the ASX, and **“Securities Authority”** means any one of them.

“Securities Laws” means, unless the context otherwise requires, the federal and state securities Laws of the United States, Canada, Australia and the state, provincial and territorial securities Laws, regulations and rules issued under such Laws, and the published regulations, rules, policy statements, orders, instruments (including national and applicable multilateral instruments), notices and rulings of the securities commissions or equivalent securities regulatory bodies in such jurisdictions, including the applicable rules and policies of, with respect to Melior, the TSX-V and, with respect to Metallica, the ASX.

“SEDAR” means the System for Electronic Document Analysis and Retrieval.

“Share Consideration” means 20 Metallica Shares in exchange for each Melior Share outstanding immediately prior to the Effective Time.

“Slesarewich Employment Agreement” means the employment agreement between Metallica and Simon Slesarewich dated October 25, 2017.

“Slesarewich Waiver Letter” means the waiver letter, dated as of September 6, 2018, among Simon Slesarewich, Metallica and Melior, pursuant to which in connection with the Arrangement Mr. Slesarewich waived the requirement under the Slesarewich Employment Agreement that Metallica make a payment to Mr. Slesarewich in the event of a change of control of Metallica.

“Special Committee” means the special committee of directors of the Melior Board consisting of George Lloyd (as Chairman) and Rishi Tibriwal.

“subsidiary” means, with respect to a specified body corporate, any body corporate of which the specified body corporate is entitled to elect a majority of the directors thereof and shall include any body corporate, partnership, joint venture or other entity over which such specified body corporate exercises direction or control or which is in a like relation to such a body corporate, excluding any body corporate in respect of which such direction or control is not exercised by the specified body corporate as a result of any existing contract, agreement or commitment.

“Superior Proposal” has the meaning ascribed thereto in subsection 6.1(b)(v)(A) of the Arrangement Agreement.

“Tax” and **“Taxes”** means all taxes (including income tax, capital tax, payroll taxes, employer health tax, workers’ compensation payments, property taxes, custom and land transfer taxes), duties, royalties, levies, imposts, assessments, deductions, charges or withholdings and all liabilities with respect thereto including any penalty and interest payable with respect thereto.

“Tax Act” means the *Income Tax Act* (Canada).

“TSX-V” means the TSX Venture Exchange.

“TSX-V Corporate Finance Manual” means the corporate finance manual of the TSX-V, as amended from time to time.

“TSX-V Corporate Finance Policies” means the policies of the TSX-V contained in the TSX-V Corporate Finance Manual.

“1933 Act” means the Securities Act of 1933, as amended, of the United States of America.

“1934 Act” means the Securities Exchange Act of 1934, as amended, of the United States of America.

SUMMARY

The following is a summary of information contained elsewhere in this Circular. This summary is qualified in its entirety by and should be read together with the more detailed information and financial data and statements contained elsewhere in this Circular, including the Appendices, which are incorporated herein and form part of this Circular, and the documents incorporated by reference herein. Certain capitalized words and terms used in this Summary are defined in the “Glossary of Terms”.

Parties

Melior

Melior is a publicly listed company that is the owner and operator of the Goondicum Mine, a past-producing ilmenite and apatite mine strategically located in Queensland, Australia. The Melior Shares are listed for trading on the TSX-V under the symbol “MLR”.

Pursuant to the Arrangement Agreement, Metallica has agreed to acquire Melior, through the implementation of the Arrangement. Following completion of the Arrangement, Melior will be a wholly-owned subsidiary of Metallica. Please see “*Information Concerning Melior*” for further information.

Metallica

Metallica is a publicly listed company with a portfolio of resource assets based in north Queensland, Australia. Metallica’s primary asset is its 50% ownership of the Cape York Bauxite and Heavy Mineral Sands Joint Venture which contains the Urquhart Bauxite project and the Urquhart Heavy Mineral Sands project and associated processing equipment.

Metallica Shares are listed on the ASX under the symbol “MLM”. For additional information concerning Metallica, including following completion of the Arrangement, please see “*Information Concerning Metallica Before and After the Arrangement*”.

The Meeting

The Melior Meeting is scheduled to be held on Tuesday, November 27, 2018 at the offices of Wildeboer Dellelce LLP at Wildeboer Dellelce Place, 365 Bay Street, Suite 800, Toronto, Ontario, M5H 2V1 at 10:00 a.m. (Toronto time). At the Melior Meeting, Melior Shareholders will be asked to consider and, if deemed advisable, to pass, with or without variation, the Arrangement Resolution approving the Arrangement. The full text of the Arrangement Resolution is set out in Appendix “A” to this Circular. Pursuant to the BCBCA, the Interim Order and the notice of articles and articles of Melior, in order to implement the Arrangement, the Arrangement Resolution must be approved, with or without amendment, by (a) a majority of at least two-thirds of the votes cast by the Melior Shareholders present in person or by proxy at the Melior Meeting, and (b) a majority of at least 50% plus one vote of votes cast by Minority Shareholders present in person or by proxy at the Melior Meeting. Please see “*The Arrangement – Approval of the Arrangement Resolution*”.

Notwithstanding the foregoing, the Arrangement Resolution authorizes the Melior Board, without further notice to or approval of the Melior Shareholders, subject to the terms of the Arrangement Agreement, to decide not to proceed with the Arrangement and to revoke such Arrangement Resolution at any time prior to the Arrangement becoming effective pursuant to the provisions of the BCBCA.

Record Date

Only Melior Shareholders of record at the close of business on October 19, 2018 will be entitled to receive notice of and vote at the Melior Meeting, or any adjournment or postponement thereof. Please see “*General Proxy Information*”.

Steps in the Arrangement

The Arrangement

The Arrangement Agreement establishes the Plan of Arrangement, which provides for the following general steps to occur and be deemed to occur without further act or formality commencing at the Effective Time, but in the order and with the timing set out in the Plan of Arrangement:

1. Dissenting Shares. Melior Shares held by Dissenting Shareholders will be deemed to be transferred by the holder thereof, without any further act or family on its part, free and clear of all liens, claims and encumbrances, to Metallica, and thereupon such Dissenting Shareholder shall have the right to be paid by Metallica the fair value of such holder's Dissenting Shares in accordance with the Plan of Arrangement.
2. Exchange of Melior Shares. Each issued and outstanding Melior Share (other than Melior Shares held by Dissenting Shareholders) will be exchanged for Metallica Shares on the basis of twenty (20) Metallica Shares for each Melior Share held and pursuant to which (i) such holder will cease to be a holder of Melior Shares, (ii) Metallica shall allot and issue Metallica Shares to which such holder is entitled; and (iii) each Melior Share so exchanged will be transferred to Metallica free and clear of all encumbrances.
3. Melior Options. Each issued and outstanding Melior Option will be exchanged for a Metallica Replacement Option which shall be exercisable to acquire, on the same terms and conditions as were applicable to such Melior Option immediately prior to the Effective Time, the number of Metallica Shares (rounded down to the nearest whole number) equal to the product of: (A) the number of Melior Shares subject to such Melior Option immediately prior to the Effective Time, and (B) the Exchange Ratio. The exercise price per Metallica Share subject to any such Metallica Replacement Option shall be an amount (rounded up to the nearest tenth of a cent) equal to the quotient of: (A) the exercise price per Melior Share subject to such Melior Option immediately prior to the Effective Time, divided by (B) the Exchange Ratio, converted to A\$ at the Exchange Rate. The obligations of Melior under the Melior Options as so exchanged shall be assumed by Metallica. Except as set out above and subject to any requirements necessary to conform with ASX Listing Rules, the term to expiry, conditions to and manner of exercise (provided any Metallica Replacement Option shall be exercisable at the offices of Metallica) and other terms and conditions of each of the Metallica Replacement Options shall be the same as the terms and conditions of the Melior Option for which it is exchanged and, for greater certainty, each Metallica Replacement Option shall continue to be governed by and be subject to the terms of the Melior Stock Option Plan and the agreement evidencing the grant of such Melior Option with respect to such terms and conditions, except for the Melior Options issuable to the Financial Advisor which shall continue to be governed by and subject to the terms of the agreement evidencing the grant of such Melior Options but not the Melior Stock Option Plan.
4. Melior Warrants. Each Melior Warrant outstanding immediately prior to the Effective Time shall be exchanged for a Metallica Replacement Warrant exercisable to acquire, on the same terms and conditions as were applicable to such Melior Warrant immediately prior to the Effective Time, the number of Metallica Shares (rounded down to the nearest whole number) equal to the product of: (A) the number of Melior Shares subject to such Melior Warrant immediately prior to the Effective Time; and (B) the Exchange Ratio. The exercise price per Metallica Share subject to any such Metallica Replacement Warrants shall be an amount (rounded up to the nearest tenth of a cent) equal to the quotient of: (A) the exercise price per Melior Share subject to such Melior Warrant immediately prior to the Effective Time divided by (B) the Exchange Ratio, converted to A\$ at the Exchange Rate. Except as set out above and subject to any requirements necessary to conform with ASX Listing Rules, the term to expiry, conditions to and manner of exercise (provided any Metallica Replacement Warrant shall be exercisable at the offices of Metallica) and other terms and conditions of each Metallica Replacement Warrant shall be the same as the terms and conditions of the Melior Warrant for which it was exchanged.
5. Subsidiary. Melior will become a wholly owned subsidiary of Metallica.

As a result of the Arrangement:

- (a) Metallica will indirectly hold all of the assets of Melior; and
- (b) the Melior Shares will be delisted from trading on the TSX-V.

No fractional securities will be issued. Any fractions resulting will be rounded down to the next whole number.

For more detailed information, see “*The Arrangement – Principal Steps of the Arrangement*” and the Plan of Arrangement attached to this Circular as Appendix “B”.

Background to the Arrangement

A summary of the material events leading up to the negotiation of the Arrangement Agreement and the material meetings, discussions and negotiations between Melior and Metallica that preceded the execution and public announcement of the Arrangement Agreement is included in this Circular under the section titled “*The Arrangement – Background to the Arrangement*”.

Special Committee

The Special Committee was established on July 19, 2018 and made up of directors of the Melior Board consisting of George Lloyd (as Chairman) and Rishi Tibriwal both of whom are considered to be independent directors as provided for in MI 61-101. The Special Committee, among other things, reviewed the Fairness Opinion and considered the Arrangement Agreement. The Special Committee recommended the Arrangement and the execution of the Arrangement Agreement and the transactions contemplated thereunder to the Board on September 10, 2018. See “*The Arrangement – Background to the Arrangement*” for further information.

Recommendations of the Board of Directors

After thorough review and analysis, the Melior Board, has adopted the recommendation of the Special Committee and has unanimously determined that the Arrangement is in the best interests of the Corporation and that the Arrangement is fair, from a financial point of view, to Melior Shareholders. Accordingly, THE BOARD OF DIRECTORS OF MELIOR HAS UNANIMOUSLY APPROVED THE TERMS OF THE ARRANGEMENT AND RECOMMENDS THAT YOU VOTE FOR THE ARRANGEMENT AT THE MELIOR MEETING FOR THE REASONS SET FORTH HEREIN.

Please see “*The Arrangement – Recommendations of the Board of Directors*” for further information.

Reasons for the Arrangement

The Melior Board has reviewed and considered a significant amount of information and considered a number of factors relating to the Arrangement with the benefit of advice from Melior’s senior management and its financial and legal advisors. The following is a summary of the principal reasons for the recommendation of the Melior Board that Melior Shareholders vote **FOR** the Arrangement Resolution:

- (a) *Low Risk Strengthening of Melior Balance Sheet.* The merger with Metallica will significantly de-risk Melior in the short term and provide a significantly strengthened balance sheet through access to Metallica’s cash balance, which will facilitate the prioritized restart of the Goondicum Mine later in 2018 and reduces the costs, risks and unfavourable terms associated with obtaining alternative financing.
- (b) *Control of the Combined Company.* On completion of the merger, Melior Shareholders will hold 64% of Metallica’s issued share capital and have three of the six directors on the Metallica Board. Pursuant to the Arrangement Agreement, Metallica and Melior have agreed that George Lloyd will be appointed Chairman of the Metallica Board as of the Effective Time. The Chairman holds a deciding Metallica Board vote under Metallica’s constitution.

- (c) *The all share Arrangement delivers the ability to unlock value in Metallica going forward, which includes participation in Metallica's pipeline of mineral development assets in relative proximity to Melior's Goondicum Mine.* Melior Shareholders, through their ownership of Metallica Shares, will participate in the expected value creation associated with development of Metallica's Cape York Heavy Minerals Sands and Bauxite Project JV (50%), Cape Flattery Silica Sands Project (100%) and Esmeralda Graphite Project (100%). In addition, cash generated from the Goondicum Mine will assist the prospects of value creation with respect to such Metallica assets. Melior Shareholders are expected to hold approximately 64% of the issued and outstanding Metallica Shares (on an undiluted basis) upon completion of the Arrangement.
- (d) *Ability to Benefit from Metallica's Experienced Management Team.* Metallica has an experienced management team and the value-focused culture and combined technical and commercial skills of the two companies is expected to greatly enhance the merged group's capabilities.
- (e) *Enhanced Capital Market Profile and ASX Listing.* Metallica is expected to benefit from an enhanced capital market profile with an increased market capitalization, which is expected to lead to increased trading liquidity and analyst coverage, as well as the ability to raise future financing on more favourable terms. An ASX listing also better reflects the location of Melior's assets.
- (f) *Favourable Geopolitical Risk Profile and Synergies.* Metallica's mineral assets are located in a safe and mining friendly jurisdiction, Queensland, Australia, in relative proximity to Melior's Goondicum Mine, which is also expected to lead to cost synergies.
- (g) *Unanimous Approval.* The proposed Arrangement has received unanimous approval of both the Melior Board and the Metallica Board
- (h) *Fairness Opinion.* KPMG provided its opinion that, as at September 11, 2018, subject to the assumptions, limitations and qualifications set out therein, the Share Consideration to be received by Melior Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Melior Shareholders.
- (i) *Approval of Shareholders and the Court are Required.* The following required approvals protect the rights of Melior Shareholders: the Arrangement must be approved by a majority of at least two-thirds of the votes cast in respect of the Arrangement Resolution by Melior Shareholders, present in person or represented by proxy at the Melior Meeting, and by a majority of at least 50% plus one vote of the votes cast at the Melior Meeting by the Minority Shareholders, present in person or represented by proxy, and the Arrangement must also be sanctioned by the Court, which will consider the fairness of the Arrangement to Melior Shareholders.
- (j) *Superior Proposals.* The Arrangement Agreement allows the Melior Board, in the exercise of its fiduciary duties, to respond to certain unsolicited Acquisition Proposals, which may be superior to the Arrangement. The Melior Board received advice from its financial and legal advisors that the deal protection terms including the Melior Break Fee, and circumstances for payment of the Melior Break Fee, as applicable, are within the ranges typical in the market for similar transactions and are not a significant deterrent to potential Superior Proposals.
- (k) *Dissent Rights.* Registered Shareholders who oppose the Arrangement may, upon compliance with certain conditions, exercise their Dissent Rights and receive the fair value of the Dissent Shares.
- (l) *Court Approval.* The Arrangement must be approved by the Court, and the Arrangement will only become effective if, after hearing from all interested persons who choose to appear before it, the Court determines that the terms and conditions of the Arrangement are fair and reasonable.
- (m) *Support Agreements and Melior Voting Intention Agreement.* Melior Shareholders holding in aggregate approximately 79% of the issued and outstanding Melior Shares have entered into the

Melior Support Agreements and the Melior Voting Intention Agreement pursuant to which they agreed to vote for or expressed their intention to vote for the Arrangement, respectively.

See “*Forward-Looking Statements*” and “*The Arrangement – Reasons for the Arrangement*”.

Fairness Opinion

In deciding to approve the Arrangement Agreement and the terms of the Arrangement, the Melior Board considered, among other things, the Fairness Opinion prepared for the Special Committee and the Melior Board. The Fairness Opinion concluded that, as of September 11, 2018, subject to the assumptions, limitations and qualifications set out therein, the Share Consideration is fair, from a financial point of view, to Melior Shareholders. The Fairness Opinion, which sets forth certain assumptions made, matters considered and limitations on the review undertaken in connection with the opinion, is attached to this Circular as Appendix “D”. The Fairness Opinion is not and should not be construed as a valuation of Metallica or Melior or their respective assets or securities or as a recommendation to any Melior Shareholder to vote **FOR** the Arrangement Resolution. Melior Shareholders are urged to read the Fairness Opinion in its entirety. See “*The Arrangement – Fairness Opinion*” for further information.

Support Agreements and Melior Voting Intention Agreement

On September 5, 2018, Melior entered into the Melior Voting Intention Agreement with the Takota. The Melior Voting Intention Agreement sets forth, among other things, the intention of Takota to vote the Melior Shares held by it on the Record Date FOR the Arrangement Resolution. As of the Record Date, Takota held 3,585,055 Melior Shares representing approximately 12.4% of the issued Melior Shares on such date.

On September 12, 2018, Metallica and Melior entered into the Melior Support Agreements with the Melior Support Parties. The Melior Support Agreements set forth, among other things, the agreement of such Melior Support Parties to vote their Melior Shares FOR the Arrangement Resolution. As of the Record Date, these Melior Support Parties held 19,211,164 Melior Shares representing approximately 66.3% of the issued Melior Shares on such date.

In the aggregate, Takota and the Melior Support Parties, as of the Record Date, hold 22,796,219 Melior Shares representing approximately 78.7% of the Melior Shares on such date.

Please see “*The Arrangement – Support Agreements and Melior Voting Intention Agreement*”.

Court Approval

In order to become effective, the Arrangement requires Court approval under the BCBCA. In addition to this approval, the Court will be asked for a declaration following a Court hearing that the Arrangement is fair to the Melior Shareholders. Prior to the mailing of the Circular, Melior obtained the Interim Order providing for the calling and holding of the Melior Meeting, the Dissent Rights and certain other procedural matters relating to the Arrangement. A copy of the Interim Order is attached hereto as Appendix “C”.

Provided that the Arrangement is approved by the requisite majorities of Melior Shareholders and certain other conditions are met, Melior intends to make application to the Court for the Final Order at 9:45 a.m. Vancouver time (or so soon thereafter as legal counsel can be heard) on December 10, 2018 at the Court House, 800 Smithe Street, Vancouver, British Columbia, or on any other date and time as the Court may direct. DuMoulin Black LLP, counsel to Melior in respect of matters related to obtaining the Interim Order and Final Order, has advised that, in deciding whether to grant the Final Order, the Court will consider, among other things, the fairness of the Arrangement to Melior Shareholders.

At the hearing for the Final Order any security holder or creditor of Melior has the right to appear, be heard and present evidence or arguments, provided that such security holder or creditor files and serves a response to petition no later than 4:30 p.m. (Vancouver time) on November 27, 2018 along with any other documents required, all as set out in the Interim Order and Notice of Petition, copies of which are attached as Appendix “C” and Appendix “E” to

this Circular, respectively, and satisfy any other requirements of the Court. Such persons should consult with their legal advisors as to the necessary requirements.

The Court may approve the Arrangement either as proposed or as amended in any manner the Court may direct, and subject to compliance with such terms and conditions, if any, as the Court sees fit.

The Court will be advised, prior to the hearing, that the Court's approval of the Arrangement (including the fairness thereof) will form a basis for the exemption from the registration requirements of the 1933 Act provided by Section 3(a)(10) thereof with respect to the Metallica Shares to be issued to Melior Shareholders in exchange for their Melior Shares pursuant to the Arrangement.

See "*The Arrangement – Court Approval of the Arrangement*".

Conditions to the Arrangement

Completion of the Arrangement is subject to a number of specified conditions being met or waived, as applicable, as of the Effective Time, including but not limited to:

1. the Arrangement Resolution being approved by Melior Shareholders at the Melior Meeting;
2. the Metallica Arrangement Resolution being approved by Metallica Shareholders representing at least 50% of the votes cast in respect of the Metallica Arrangement Resolution at the Metallica Meeting;
3. the Final Order being granted by the Court, in form and substance satisfactory to the Parties, acting reasonably, and such Final Order not having been set aside or modified in a manner unacceptable to Metallica and Melior, acting reasonably;
4. the TSX-V shall have conditionally approved the Arrangement;
5. the ASX shall have conditionally approved the listing of the Metallica Shares comprising the Share Consideration on the ASX;
6. the Arrangement Agreement not having been terminated; and
7. holders of no greater than 5% of the total outstanding Melior Shares exercising their Dissent Rights (and not withdrawn such exercise).

The Arrangement Agreement also provides that the respective obligations of Melior and Metallica to complete the Arrangement are subject to the satisfaction or waiver of certain additional conditions precedent, including, there having not occurred any Material Adverse Effect in respect of either Melior or Metallica.

Please see "*The Arrangement – the Arrangement Agreement – Conditions to the Arrangement*" for further information.

Non-Solicitation of Acquisition Proposals

Pursuant to the Arrangement Agreement, each of Metallica and Melior have agreed not to solicit, initiate, encourage or facilitate any Acquisition Proposals. However, the board of directors of either Party does have the right to consider and accept a Superior Proposal under certain conditions. In such a circumstance, the other Party has the right to match any Acquisition Proposal that the board of directors of the other Party has determined is, or is reasonably likely to be or lead to, a Superior Proposal in accordance with the Arrangement Agreement. If either Party accepts a Superior Proposal or if the other Party declines to match any Superior Proposal and, as a result, the Arrangement Agreement is terminated, the Party, which accepts the Superior Proposal must pay a termination fee.

See "*The Arrangement – The Arrangement Agreement – Non-Solicitation Covenant*".

Termination of the Arrangement Agreement

The Arrangement Agreement may be terminated prior to the Effective Time in certain circumstances some of which lead to payment by either of Melior or Metallica of a Melior Break Fee or a Metallica Break Fee, respectively. The Metallica Break Fee is payable if the Arrangement Agreement is terminated as a result of:

- (a) either Party being unsatisfied in its reasonable discretion with the response and requirements from the ASX of the Application for In-Principal Advice;
- (b) in the event re-admission to the official list of the ASX is a condition arising from the Application for In-Principal Advice, Metallica not receiving written confirmation from the ASX that the ASX will re-admit Metallica to the official list of ASX and quote the Share Consideration on the ASX;
- (c) the Independent Expert's Report not stating that in the opinion of the Independent Expert each of the Relevant Matters is reasonable or if such a conclusion is changed or withdrawn prior to the Effective Time;
- (d) ASX not conditionally approving the listing thereon of the Metallica Shares to be issued in exchange for the Melior Shares pursuant to the Arrangement and the terms and issue of the Metallica Replacement Options and Metallica Replacement Warrants, as of the Effective Date or as soon as possible thereafter;
- (e) Metallica being unable to obtain or maintain all filings, registrations, qualifications, approvals or letters of "no objections" as are required of it to issue the Metallica Shares comprising the Share Consideration and to complete the Arrangement under the ACA;
- (f) there being an Acquisition Proposal in respect of Metallica and (A) the Metallica Board having withdrawn or modified in a manner adverse to Melior their approval or recommendation of the Arrangement or having failed, after being requested by Melior in writing, to reaffirm their approval or recommendation of the Arrangement and the transactions contemplated under the Arrangement Agreement as promptly as possible (but in any event within five (5) Business Days) after receipt of such written request from Melior; or (B) such Acquisition Proposal constituting a Superior Proposal and Metallica having accepted, recommended, approved or entered into an agreement to implement such Superior Proposal in accordance with the Arrangement Agreement;
- (g) the Metallica Board authorizing Metallica, subject to complying with the terms of the Arrangement Agreement, to enter into a legally binding agreement, undertaking or arrangement with respect to a Superior Proposal received at any time following the date of the Arrangement Agreement and prior to the Metallica Meeting;
- (h) Metallica being in breach or default of any of its obligations or covenants relating to non-solicitation;
- (i) Metallica being in breach of any representation or warranty or failure to perform any covenant or agreement on the part of Metallica which shall have occurred which would make any of the conditions in favour of Melior incapable of being satisfied prior to December 31, 2018; or
- (j) the Metallica Board or any committee of the Metallica Board failing to unanimously recommend or withdrawing, amending, modifying or qualifying, publicly proposing or stating its intention to do so, or failing to reaffirm the Metallica Board Recommendation within five (5) Business Days after having been requested to do so by Melior.

The Melior Termination Fee is payable if the Arrangement Agreement is terminated as a result of:

- (a) the Interim Order or the Final Order not having been granted in a form and substance satisfactory to each of the Parties;

- (b) the TSX-V not having accepted notice for filing of all transactions of Melior contemplated under the Arrangement Agreement;
- (c) there being an Acquisition Proposal in respect of Melior and (A) the Melior Board having withdrawn or modified in a manner adverse to Melior their approval or recommendation of the Arrangement or having failed, after being requested by Metallica in writing, to reaffirm their approval or recommendation of the Arrangement and the transactions contemplated under the Arrangement Agreement as promptly as possible (but in any event within five (5) Business Days) after receipt of such written request from Metallica; or (B) such Acquisition Proposal constituting a Superior Proposal and Melior having accepted, recommended, approved or entered into an agreement to implement such Superior Proposal in accordance with the Arrangement Agreement;
- (d) the Melior Board authorizing Melior, subject to complying with the terms of the Arrangement Agreement, to enter into a legally binding agreement, undertaking or arrangement with respect to a Superior Proposal received at any time following the date of the Arrangement Agreement and prior to the Metallica Meeting;
- (e) Melior being in breach or default of any of its obligations or covenants relating to non-solicitation;
- (f) Melior being in breach of any representation or warranty or failure to perform any covenant or agreement on the part of Melior which shall have occurred which would make any of the conditions in favour of Metallica incapable of being satisfied prior to December 31, 2018; or
- (g) the Melior Board or the Special Committee failing to unanimously recommend or withdrawing, amending, modifying or qualifying, publicly proposing or stating its intention to do so, or failing to reaffirm the approval or recommendation of the Arrangement or Arrangement Resolution within five (5) Business Days after having been requested to do so by Metallica.

See “*The Arrangement – The Arrangement Agreement – Termination*”.

Regulatory, Stock Exchange and Securities Law Matters

Stock Exchange Approvals

Metallica Shares are listed on the ASX and Metallica will, prior to the Effective Time, seek conditional approval from the ASX to list the Metallica Shares comprising the Share Consideration on the ASX. The Metallica Shares will not be listed on a stock exchange in Canada.

Melior has made application to the TSX-V for the approval of the Arrangement and the corresponding delisting of the Melior Shares from the TSX-V upon completion of the Arrangement.

Business Combination

The Arrangement is considered to be a Business Combination within the meaning of MI 61-101. The Arrangement is a Business Combination for the purposes of MI 61-101 as a result of the Lender, which holds in excess of 10% of the issued and outstanding Melior Shares on a partially diluted basis, being party to a “connected transaction”, as defined in MI 61-101, such transaction being the negotiation and execution of the Lender Agreement with Melior on August 9, 2018, which was negotiated at approximately the same time as the Arrangement Agreement and both transactions had at least one party in common. Pursuant to MI 61-101, if a transaction is a Business Combination, a Formal Valuation and Minority Approval of the Arrangement are required unless an exemption is available.

Formal Valuation

Where an issuer is listed or quoted on the TSX-V and no other stock exchange outside of Canada and the United States, MI 61-101 provides an exemption to the general requirement to obtain a Formal Valuation for a transaction that is a Business Combination. No prior valuations of Melior and no bona fide prior offer to acquire outstanding

Melior Shares have been made or received by Melior in the last 24 months, to the knowledge of Melior, the Melior Board or its management.

Minority Approval

As no exemption is available, MI 61-101 requires that Melior also obtain Minority Approval of the Arrangement. As a result, at the Melior Meeting, Melior shall seek the approval to the Arrangement Resolution from a majority of the votes cast by the Minority Shareholders. Accordingly, in order to implement the Arrangement, the Arrangement Resolution must be approved, with or without amendment, by (a) a majority of at least two-thirds of the votes cast by the Melior Shareholders present in person or by proxy at the Melior Meeting, and (b) a majority of at least 50% plus one vote of votes cast by Minority Shareholders present in person or by proxy at the Melior Meeting.

In determining what constitutes Minority Approval for a Business Combination, Melior must exclude the votes attached to affected securities, that to the knowledge of Melior or the Excluded Persons or their respective directors and officers, after reasonable inquiry, are beneficially owned or over which control or direction is exercised by (a) Melior, (b) an Interested Party, (c) a related party of an Interested Party or (d) a joint actor with a person referred to in (b) or (c) above. Melior has determined that pursuant to MI 61-101, Melior Shares held by the Lender must be excluded from the vote of the Minority Shareholders due to the Lender being a related party to Melior, as a result of the Lender having beneficial ownership of, or control or direction over, directly or indirectly, or any combination thereof, Melior Shares carrying more than 10% of the voting rights attached to all of Melior's outstanding voting securities (including securities convertible for same), and the Lender being a party to a "connected transaction" (as defined in MI 61-101) to the Arrangement. In addition, the Melior Shares held directly by Martyn Buttenshaw must be excluded from the vote of the Minority Shareholders as a result of Mr. Buttenshaw being a related party of the Lender.

To the best knowledge of the Melior Board, 13,252,402 Melior Shares, held directly or indirectly, in the aggregate by the Lender and Mr. Buttenshaw (representing in the aggregate approximately 45.7% of the issued and outstanding Melior Shares as at the Record Date) and the votes attaching to such Melior Shares must be excluded from voting on the Arrangement Resolution to be approved by the Minority Shareholders voting in person or by proxy at the Melior Meeting. The Excluded Persons may still vote on the Arrangement Resolution for the purpose of obtaining the 66 2/3% approval as required by the BCBCA.

For additional information, including the details of the Melior Securities held by the Excluded Person, please see "*The Arrangement – Additional Requirements Pursuant to MI 61-101*".

Canadian Securities Law Matters

Melior is a reporting issuer in British Columbia, Alberta, Manitoba and Ontario. The Melior Shares currently trade on the TSX-V. Pursuant to the Arrangement, the Melior Shares will be delisted from the TSX-V (delisting is anticipated to be effective two or three Business Days following the Effective Date) and Metallica expects to apply to the applicable Canadian securities regulators to have Melior cease to be a reporting issuer. As a result of the Arrangement however, Metallica will become a reporting issuer in British Columbia, Alberta, Manitoba and Ontario, however, it will be a "designated foreign issuer" within the meaning of NI 71-102, provided 10% or fewer of the Metallica Shares, on a fully-diluted basis, are owned, directly or indirectly, by holders resident in Canada. In the event Metallica Shareholders resident in Canada own, directly or indirectly, greater than 10% of the Metallica Shares, on a fully-diluted basis, Metallica intends to apply to the Ontario Securities Commission (which, if the Arrangement is completed, will be Metallica's principal regulator under the procedures described under MI 11-102) for exemptive relief so that Metallica is permitted to report as a "designated foreign issuer" under NI 71-102. As a "designated foreign issuer", Metallica will be exempt from most of the continuous disclosure requirements of Canadian securities legislation, as well as certain other requirements including insider reporting and early warning reporting, provided Metallica complies with the continuous disclosure requirements of Australia. Melior Shareholders should be aware that, generally, reporting issuers in Australia are not required to prepare and file quarterly financials or quarterly and annual MD&As. Rather, such issuers only prepare an annual and semi-annual report. However, certain mining production and mining exploration entities are required by the ASX Listing Rules to prepare and file a quarterly activities report and quarterly cashflow report. These requirements currently apply to Metallica but may not apply in the future depending on Metallica's activities and circumstances. As such, if

Metallica, following the completion of the Arrangement, is permitted to report in Canada as a “designated foreign issuer”, Metallica Shareholders including those Melior Shareholders who have received Metallica Shares pursuant to the Arrangement will not receive financial reports prepared by Metallica on a quarterly basis and may not, should Metallica’s circumstances change, receive a quarterly activities report or quarterly cashflow report. Further, Metallica has received indication from holders representing approximately 66.3% of the issued and outstanding Melior Shares as of the Record Date that such shareholders see the benefit of management of Metallica being able to focus only on the reporting requirements of Australia and thus have expressed strong support of the exemptive relief application.

While the Metallica Shares will be listed on the ASX, the Metallica Shares are not expected to be listed on any stock exchange in Canada.

The issuance and distribution of the Metallica Shares pursuant to the Arrangement will constitute a distribution of securities that is exempt from the prospectus requirements of Canadian securities legislation and is exempt from or otherwise is not subject to the registration requirements under applicable securities legislation. The Metallica Shares received pursuant to the Arrangement, including any Metallica Shares issuable upon exercise of the Metallica Replacement Options or Metallica Replacement Warrants, will not be legended and may be resold through registered dealers in each of the provinces of Canada provided that (i) the trade is not a “control distribution” as defined in NI 45-102 (ii) no unusual effort is made to prepare the market or to create a demand for the Metallica Shares, (iii) no extraordinary commission or consideration is paid to a person in respect of such sale, and (iv) if the selling security holder is an insider or officer of Metallica, the selling security holder has no reasonable grounds to believe that Metallica is in default of applicable Canadian securities laws.

Each Melior Shareholder is urged to consult his or her professional advisors to determine the Canadian conditions and restrictions applicable to trades in Metallica Shares.

See “*The Arrangement – Regulatory Law Matters and Securities Law Matters*”.

Australian Securities Law Matters

The Metallica Shares to be issued pursuant to the Arrangement (including those to be issued on exchange of the Melior Shares, exercise of the Metallica Replacement Options and exercise of the Metallica Replacement Warrants) may not be resold in Australia to a retail investor within 12 months of the date of issue of the relevant shares unless Metallica issues a disclosure document such as a prospectus, complies with relevant class order relief, obtains a specific release from ASIC or unless the ACA provides otherwise.

The issue of the Metallica Shares (including those to be issued on exchange of the Melior Shares, exercise of the Metallica Replacement Options or exercise of the Metallica Replacement Warrants) is not being undertaken by Metallica with the purpose of the holder selling or transferring their Metallica Shares, however, Metallica considers that the Mellor security holders who receive Metallica Shares (including those to be issued on exchange of the Mellor Shares, exercise of the Metallica Replacement Options or exercise of the Metallica Replacement Warrants) should be able to sell their Metallica Shares should they wish to do so.

Accordingly, in order to ensure that all Metallica Shares to be issued pursuant to the Arrangement (including those to be issued on exchange of the Melior Shares, exercise of the Metallica Replacement Warrants, and exercise of the Metallica Replacement Options) will be freely tradeable and not subject to any re-sale restrictions within Australia, Metallica will be required to either: (i) issue a notice in accordance with section 708A of the ACA on each occasion that any such Metallica Shares are issued; or (ii) prepare and lodge a prospectus on each occasion that any such Metallica Shares are issued.

This process outlined above will ensure that the Metallica Shares are freely tradeable.

United States Securities Law Matters

The Metallica Shares, Metallica Replacement Options and Metallica Replacement Warrants to be issued to Melior Securityholders in exchange for the Melior Securities pursuant to the Arrangement have not been registered under the 1933 Act or applicable state securities laws, and are being issued and exchanged in reliance on the Section 3(a)(10) Exemption and similar exemptions from registration under applicable state securities laws. The restrictions on resale of the Metallica Shares outstanding after the Effective Date imposed by the 1933 Act will depend on whether the holder of the Metallica Shares is an “affiliate” of Metallica after the Effective Date or was an “affiliate” of Metallica within 90 days prior to the Effective Date. As defined in Rule 144, an “affiliate” of an issuer is a person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such issuer. Usually this includes the directors, executive officers and principal shareholders of the issuer. Melior Securityholders in the United States who are affiliates of Metallica solely by virtue of their status as an officer or director of Metallica may sell their Metallica Shares outside the United States in compliance with Regulation S under the 1933 Act.

The Section 3(a)(10) Exemption does not exempt the issuance of securities upon the exercise of securities that were previously issued pursuant to the Section 3(a)(10) Exemption. Therefore, the Metallica Shares issuable upon exercise of the Metallica Replacement Options or Metallica Replacement Warrants may not be issued in reliance upon the Section 3(a)(10) Exemption and the Metallica Replacement Options and Metallica Replacement Warrants may only be exercised pursuant to an available exemption from the registration requirements of the 1933 Act and applicable state securities laws. Prior to the issuance of Metallica Shares pursuant to any such exercise after the Effective Time, Metallica may require evidence (which may include in an opinion of counsel) reasonably satisfactory to Metallica to the effect that the issuance of such Metallica Shares do not require registration under the 1933 Act or applicable state securities laws.

The solicitation of proxies made pursuant to this Circular is not subject to the requirements of Section 14(a) of the 1934 Act. Accordingly, the solicitation of proxies and transactions contemplated herein are being made in accordance with Canadian corporate and securities laws. Melior Shareholders should be aware that requirements under such Canadian laws may differ from requirements of the United States applicable to registration statements under the 1933 Act and to proxy statements under the 1934 Act. The financial statements and other financial information of Melior included or incorporated by reference in this Circular have been prepared in accordance with IFRS and thus may not be comparable to financial statements and financial information of United States companies. The financial statements and other financial information of Metallica included or incorporated by reference in this Circular have been prepared in accordance with in compliance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, which compliance ensures compliance with IFRS, as issued by the International Accounting Standard Board and thus may not be comparable to financial statements and financial information of United States companies.

NONE OF THE METALLICA SHARES, METALLICA REPLACEMENT OPTIONS AND METALLICA REPLACEMENT WARRANTS TO WHICH MELIOR SECURITYHOLDERS WILL BE ENTITLED PURSUANT TO THE ARRANGEMENT HAVE BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES PASSED ON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

See “*The Arrangement –Regulatory Law Matters and Securities Law Matters*”.

Procedure for Exchange of Melior Securities

TSX Trust Company is acting as Depositary under the Arrangement. The Depositary will receive deposits of certificates representing Melior Shares and an accompanying Letter of Transmittal, at the office specified in the Letter of Transmittal; and will be responsible for facilitating the delivery of the Metallica Shares to which former Melior Shareholders are entitled under the Arrangement.

At the time of sending this Circular to each Melior Shareholder, Melior is sending the Letter of Transmittal to Registered Shareholders. The Letter of Transmittal is for use by Registered Shareholders only and is not to be used by Non-Registered Holders. Non-Registered Holders should contact their broker or other intermediary for instructions and assistance in receiving the Metallica Shares in respect of their Melior Shares.

The Letter of Transmittal contains complete instructions with respect to the deposit of certificates representing Melior Shares with the Depositary at its office in Toronto, Ontario in order to receive the Metallica Shares to which they are entitled under the Arrangement. **Registered Shareholders should read and follow these instructions. Following the Effective Date, the Letter of Transmittal, when properly completed and delivered together with certificates representing the applicable Melior Shares and such other documents as the Depositary may require, will enable former Registered Shareholders to obtain the Metallica Shares to which they are entitled pursuant to the Arrangement.** Evidence of ownership of the Metallica Shares will be mailed to Registered Shareholders as soon as is practicable following receipt by the Depositary of a completed Letter of Transmittal and other required documents at the address specified in such Letter of Transmittal and the completion of the requisition of the Metallica Shares from the transfer agent for Metallica.

Except as otherwise provided in the instructions to the Letter of Transmittal, the signature on the Letter of Transmittal must be guaranteed by an Eligible Institution. If a Letter of Transmittal is executed by a person other than the registered holder of the share certificate(s) deposited therewith, the share certificate(s) must be endorsed or be accompanied by an appropriate securities transfer power of attorney, duly and properly completed by the registered holder, with the signature on the endorsement panel, or securities transfer power of attorney guaranteed by an Eligible Institution.

No fractional Metallica Shares shall be issued to any former Melior Shareholder. The number of Metallica Shares to be issued to a former Melior Shareholder, to a holder of Melior Options or Melior Warrants on the exercise of Metallica Replacement Options or Melior Replacement Warrants, respectively, shall be rounded down to the nearest whole Metallica Share and such former Melior Shareholder, former holder of Melior Options or Melior Warrants on the exercise of Metallica Replacement Option or Metallica Replacement Warrant, as the case may be, shall not be entitled to any compensation in respect of such fractional Metallica Share.

After the Effective Date, certificates formerly representing Melior Options and Melior Warrants will represent the right to receive the Metallica Replacement Options and Metallica Replacement Warrant, as applicable. Metallica will deliver certificates representing the Metallica Replacement Options and Metallica Replacement Warrants to which holders of the former Melior Options or Melior Warrants may be entitled to in accordance with the Plan of Arrangement.

Please see “*The Arrangement – Procedure for Exchange of Melior Securities*” for more information.

Cancellation of Rights after Six Years

Any certificate which immediately prior to the Effective Time represented outstanding Melior Shares and which has not been surrendered, with all other documents required by the Depositary, on or before the date that is six years after the Effective Date, will cease to represent any claim against or interest of any kind or nature in Melior or Metallica. **Accordingly, former Melior Shareholders who deposit with the Depositary certificates representing Melior Shares after the sixth anniversary of the Effective Date will not receive Metallica Shares or any other consideration in exchange therefor and will not own any interest in Melior or Metallica, and will not be paid any compensation.**

Dissent Rights

The BCBCA, as modified by the Interim Order and the Plan of Arrangement, provides that each Registered Shareholder will have the right to dissent and, if the Arrangement becomes effective, to have such holder's Melior Shares cancelled in exchange for a cash payment from Metallica equal to the fair value of such holder's Melior Shares as of the day of the Melior Meeting in accordance with the provisions of the Interim Order. In order to validly dissent, any such Registered Shareholder must not vote any Melior Shares in respect of which Dissent Rights have been exercised in favour of the Arrangement Resolution, must provide Melior with written objection to the

Arrangement by 4:00 p.m. (Vancouver Time) on November 23, 2018, or two Business Days prior to any adjournment or postponement of the Melior Meeting, and must otherwise comply with the procedures provided in the BCBCA, as modified by the Interim Order and the Plan of the Arrangement. A Non-Registered Holder who wishes to exercise Dissent Rights must arrange for the Registered Shareholder(s) holding its Melior Shares to deliver the Dissent Notice. See “*Dissent Rights*”.

If a Dissenting Shareholder fails to **STRICTLY COMPLY** with the requirements the Dissent Rights as set out under the BCBCA, as modified by the Interim Order and the Plan of Arrangement, such holder will lose its Dissent Right.

The Court hearing the application for the Final Order has the discretion to alter the Dissent Rights as described herein based on evidence presented at such hearing.

It is a condition of the Arrangement that holders of no more than 5% of Melior Shares shall have exercised Dissent Rights (and not withdrawn such exercise), which condition may be waived by both Parties.

Canadian Federal Income Tax Considerations

Please refer to the summary of Canadian federal income tax considerations contained in this Circular set forth under “*Certain Canadian Federal Income Tax Considerations*”. **All Melior Shareholders should consult their own tax advisers for advice with respect to their own particular circumstances.**

U.S. and Australian Federal Income Tax Advisory

This Circular does not contain any discussion as to the application of the United States or Australian federal income tax laws, or the tax law of any state or other jurisdiction in the United States or Australia, to the exchange of Melior Shares for Metallica Shares as contemplated by the Arrangement. Accordingly, holders of such securities resident in the United States or Australia should consult their own tax advisers for advice with respect to the application of U.S. or Australian tax law to an exchange of their Melior Shares.

Interests of Experts

To the best of Melior’s knowledge, no direct or indirect interest in Melior or Metallica is held or will be received by any experts of Melior named under the heading “*General Information – Experts*”. Please see “*General Information – Experts*” for more information. Please see “*Experts*” in Appendix “F” in relation to the named experts of Metallica.

Timing

It is anticipated that the Arrangement will become effective after the requisite approval of the Melior Shareholders, Metallica Shareholders, the Court and any other necessary regulatory approvals have been obtained and all other conditions to the Arrangement have been satisfied or waived. It is anticipated that the Arrangement will become effective on or about December 13, 2018.

Risk Factors

In considering approval of the Arrangement, Melior Shareholders should carefully consider certain risks relating to the Arrangement and risks involved in the business of Metallica.

Some of the risks associated with the Arrangement include, but are not limited to: (i) the Arrangement Agreement may be terminated in certain circumstances; (ii) there can be no certainty that all conditions precedent to the Arrangement will be satisfied; (iii) Melior will incur costs even if the Arrangement is not completed, and also may be required to pay the Melior Break Fee to Metallica in certain circumstances; (iv) Melior Shareholders will receive a fixed number of Metallica Shares based on a fixed Exchange Ratio that was determined more than ten weeks before the date of the Melior Meeting and due to share price movements since then, the price of Metallica Shares relative to Melior Shares may have changed from when the Exchange Ratio was agreed; (v) directors and executive

officers of Melior may have interests in the Arrangement that are different from those of Melior Shareholders; (vi) the market price for Melior Shares and Metallica Shares may decline; and (vii) the issue of Metallica Shares under the Arrangement and their subsequent sale may cause the market price of Metallica Shares to decline from current or anticipated levels.

For more information see *“The Arrangement - Risks Associated with the Arrangement”*.

Additional risks and uncertainties, including those currently unknown or considered immaterial by Melior, may also adversely affect the Melior Shares, the Metallica Shares, and/or the businesses of Melior and Metallica following the Arrangement. In addition to the risk factors relating to the Arrangement set out in this Circular, Melior Shareholders should also carefully consider the risk factors associated with the businesses of Melior and Metallica included in this Circular, including the documents incorporated by reference herein. See *“Risk Factors – Risks and Uncertainties – Melior”*, *“Risk Factors – Risks and Uncertainties – Metallica”* and Appendix “F” – *“Information Concerning Metallica – Risk Factors”* for a description of these risks.

Information About Metallica Following Completion of the Arrangement

On completion of the Arrangement, Melior will continue to be governed by the laws of British Columbia and will be a wholly-owned subsidiary of Metallica, and Metallica will continue the operations of Metallica and Melior on a combined basis. Metallica will continue to be governed by the laws of Australia. The business and operations of Metallica will continue to be managed from Metallica’s current head office located at 71 Lytton Road, East Brisbane QLD 4169.

Information Respecting the Directors and Officers of Metallica

Upon completion of the Arrangement, the board of directors of Metallica (the **“New Board”**) shall consist of the following six (6) directors: Peter Turnbull, Simon Slesarewich, Ian Jacobson, Mark McCauley, Martyn Buttenshaw and George Lloyd who shall also be appointed Chairman of the New Board. Information regarding Metallica’s current directors and executive officers is as set forth in the Appendix “F” – *“Information Concerning Metallica – Directors and Executive Officers”* and Metallica’s proposed directors and officers upon completion of the Arrangement is set forth in Appendix “G” – *“Information Concerning Metallica Following the Arrangement– Directors and Executive Officers”*.

Corporate Structure

On completion of the Arrangement, the corporate structure of Metallica is expected to remain substantively unchanged from that outlined in Appendix “F” – *“Information Concerning Metallica”*, provided however that Melior will be a wholly-owned subsidiary of Metallica governed by the laws of British Columbia. See Appendix “G” – *“Information Concerning Metallica Following the Arrangement – Corporate Structure”* for additional information including a diagram setting forth Metallica’s corporate structure following the Arrangement.

Capital Structure

The share capital of Metallica will remain unchanged as a result of the completion of the Arrangement, other than the issuance of Metallica Shares, Metallica Replacement Options and Metallica Replacement Warrants contemplated pursuant to the Arrangement and the Metallica Shares upon exercise of Metallica Replacement Options and Metallica Replacement Warrants. See Appendix “G” – *Information Concerning Metallica Following the Arrangement*.

Consolidated Capitalization

There have been no material changes to Metallica’s share and loan capital, on a consolidated basis, since June 30, 2018. See Appendix “G” – *“Information Concerning Metallica Following the Arrangement – Consolidated Capitalization”* and Appendix “I” – *“Pro Forma Financial Statements”* for more information setting forth Metallica’s anticipated capitalization after giving effect to the Arrangement.

Stock Exchange Listings

On completion of the Arrangement, the Metallica Shares will continue trading on the ASX. The Melior Shares are expected to be de-listed from the TSX-V as soon as practicable following the Effective Date. On completion of the Arrangement, Melior will also seek to be deemed to have ceased to be a reporting issuer under the securities legislation of each of the provinces in Canada under which it is currently a reporting issuer. Metallica will, prior to the Effective Time, seek conditional approval from the ASX to list the Metallica Shares comprising the Share Consideration on the ASX. Metallica will, following the completion of the Arrangement, become a reporting issuer in Canada in the provinces of British Columbia, Alberta, Manitoba and Ontario.

Accompanying Documents

This Circular is accompanied by several Appendices which are incorporated by reference into, form an integral part of, and should be read in conjunction with this Circular. It is recommended that Melior Shareholders read this Circular and the attached Appendices in their entirety.

GENERAL PROXY INFORMATION

Solicitation of Proxies

This Circular is furnished in connection with the solicitation of proxies by the management of Melior for use at the Melior Meeting to be held on November 27, 2018. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited by telephone or by facsimile by the directors or officers of the Corporation at nominal cost. The cost of proxy solicitation will be borne by the Corporation. In addition to the use of mail, proxies may be solicited by personal interviews, personal delivery, telephone or any form of electronic communication or by directors, officers and employees of Melior who will not be directly compensated therefor. Melior has arranged for intermediaries to forward meeting materials to beneficial owners of the Melior Shares held of record by those intermediaries and Melior may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

Appointment of Proxy

Accompanying this Circular is a form of proxy for the Registered Shareholders. The individuals named in the accompanying forms of proxy are directors or officers of Melior. **A Registered Shareholder has the right to appoint a person or entity (who need not be a Melior Shareholder) to attend and act on his or her behalf at the Melior Meeting other than the persons named in the enclosed applicable instrument of proxy. To exercise this right, a Registered Shareholder must strike out the names of the persons named in the instrument of proxy and insert the name of his nominee in the blank space provided, or complete another instrument of proxy.**

The completed instrument of proxy must be dated and signed and the duly completed instrument of proxy must be deposited at Melior's transfer agent and registrar, TSX Trust Company, 301-100 Adelaide Street West, Toronto, Ontario, M5H 1S3 (Attention: Proxy Department), on or before 10:00 a.m. (Toronto time) on November 23, 2018 or at least 48 hours excluding Saturdays, Sundays and holidays, before any reconvened Melior Meeting at which the proxy is to be used.

Registered Shareholders may vote in any of the following ways:

In Person	Attend the Melior Meeting and register with the transfer agent, TSX Trust Company, upon your arrival. Do not fill out and return your proxy if you intend to vote in person at the Melior Meeting.
Mail	Enter voting instruction, sign the form of proxy and send your completed form in the accompanied pre-paid envelope to: TSX Trust Company Attention: Proxy Department 100 Adelaide Street West, Suite 301 Toronto, ON M5H 1S3
Fax	(416) 595-9593. Please scan and fax both pages of your completed, signed form of proxy.
Internet	Go to www.voteproxyonline.com . Enter your 12 digit control number printed on the form of proxy and follow the instructions on the website to vote your Melior Shares.

The instrument of proxy must be signed by the Melior Shareholder or by his duly authorized attorney. If signed by a duly authorized attorney, the instrument of proxy must be accompanied by the original power of attorney or a notarial certified copy thereof. If the Melior Shareholder is a corporation, the instrument of proxy must be signed by a duly authorized attorney, officer, or corporate representative, and must be accompanied by the original power of attorney or document whereby the duly authorized officer or corporate representative derives his power, as the case may be, or a notarially certified copy thereof.

The articles of Melior confer discretionary authority upon the chairman of the meeting to accept proxies which do not strictly conform to the foregoing requirements and certain other requirements set forth in the articles of Melior.

Voting by Proxy and Exercise of Discretion

On any poll, the persons named in the enclosed instrument of proxy will vote the Melior Shares in respect of which they are appointed and, where directions are given by the Registered Shareholder in respect of voting for or against any resolution, will do so in accordance with such direction.

In the absence of any direction in the instrument of proxy, it is intended that such Melior Shares will be voted FOR the motions proposed to be made at the Melior Meeting as stated under the headings in this Circular. The instrument of proxy enclosed, when properly signed, confers discretionary authority to the nominee with respect to amendments or variations to any matters identified in the Notice of Meeting, and other matters which may be properly brought before the Melior Meeting. At the time of printing of this Circular, the management of Melior is not aware that any such amendments, variations or other matters are to be presented for action at the Melior Meeting. However, if any other matters which are not now known to the management should properly come before the Melior Meeting, the proxies hereby solicited will be exercised on such matters in accordance with the best judgment of the nominee.

Revocation of Proxies

Any Registered Shareholder who has returned a proxy may revoke it at any time before it has expired. In addition to revocation in any other manner permitted by law, a Melior Shareholder may revoke a proxy either by (a) signing a proxy bearing a later date and depositing it at the place and within the time aforesaid, or (b) signing and dating a written notice of revocation (in the same manner as the instrument of proxy is required to be executed as set out in the notes to the instrument of proxy) and either depositing it at the place and within the time aforesaid or with the chairman of the meeting on the day of such meeting or on the day of any adjournment thereof, or (c) registering with the scrutineer at the meeting as a Melior Shareholder present in person, whereupon such proxy is deemed to have been revoked.

If you are a Non-Registered Shareholder, you should contact your intermediary through which you hold Melior Shares and obtain instructions regarding the procedure for the revocation of any voting instruction that you have previously provided to your intermediary.

Non-Registered Holders

Only Registered Shareholders or duly appointed proxyholders are permitted to vote at the Melior Meeting. Most Melior Shareholders are Non-Registered Holders because the Melior Shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased their Melior Shares. In addition, a person is not a Registered Shareholder in respect of Melior Shares which are held on behalf of that person but which are registered either: (a) in the name of an intermediary (an “**Intermediary**”) that the Non-Registered Holder deals with in respect of the Melior Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIAs, RESPs and similar plans); or (b) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.) of which the Intermediary is a participant. In accordance with the requirements of NI 54-101, Melior has distributed copies of the Notice of Meeting, this Circular and the instruments

of proxy (collectively, the “**Proxy Solicitation Materials**”) to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Proxy Solicitation Materials to all Non-Registered Holders. Melior intends to pay for the costs of an intermediary to deliver to objecting beneficial Melior Shareholders the Proxy Solicitation Materials. Very often, Intermediaries will use service companies, such as Broadridge, to forward the Proxy Solicitation Materials to Non-Registered Holders. Generally, Non-Registered Holders will either:

- (a) be given a form of proxy which **has already been signed by the Intermediary** (typically by facsimile, stamped signature), which is restricted as to the number of Melior Shares beneficially owned by the Non-Registered Holder but which is otherwise incomplete. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Holder when submitting the proxy. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and **deposit it with TSX Trust Company, as provided above**; or
- (b) more typically, be given a voting instruction form which is **not signed by the Intermediary**, and which when properly completed and signed by the Non-Registered Holder and **returned to the Intermediary or its service company** (such as Broadridge), will constitute voting instructions (often called a “voting instruction form”) which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form. In the alternative, instead of the one page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label containing a bar-code and other information. In order for the form of proxy to validly constitute a voting instruction form, the Non-Registered Holder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and return it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

If you are a Non-Registered Shareholder holding your Melior Shares through a bank, broker, trust company, or custodian, you are requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively, Non-Registered Shareholders can call the toll-free telephone number printed on their voting instruction form or access Broadridge’s dedicated voting website at www.proxyvote.com and enter their 16-digit control number to deliver their voting instructions. Non-Registered Holders should carefully follow the instructions of their intermediary or its agents, including those regarding when and where the voting instruction form is to be delivered.

Interest of Informed Persons in Material Transactions

Other than as disclosed herein or in documents incorporated by reference, there were no material interests, direct or indirect, of directors or executive officers of Melior, or any shareholder who beneficially owns or exercises control or direction over, directly or indirectly, more than 10% of the outstanding Melior Shares or any other Informed Person (as defined in NI 51-102) or any known associate or affiliate of such persons, in any transaction since the commencement of the most recently completed financial year of Melior or in any proposed transaction with has materially affected or would materially affect Melior or any of the Melior Subsidiaries.

Interest of Certain Persons in Matters to be Acted Upon

In considering the recommendation of the Melior Board with respect to the Arrangement, Melior Shareholders should be aware that certain members of Melior’s senior management and the Melior Board have certain interests in connection with the Arrangement that may be different from, and/or in addition to the interests of Melior Shareholders generally or which present them with actual or potential conflicts of interest in connection with the Arrangement. The Melior Board was aware of these potential interests and considered them, along with other matters, in reaching its decision to approve the Arrangement and to recommend that Melior Shareholders vote **FOR** the Arrangement Resolution. Except as described below, to the knowledge of Melior, the directors and executive officers of Melior have no material interest in the Arrangement that differs from the interests of Melior Shareholders generally.

Directors and Executive Officers

The directors of Melior (other than directors who are also executive officers) hold, in the aggregate, 41,666 Melior Shares.

Consistent with standard practice in similar transactions, in order to ensure that the directors do not lose or forfeit their protection under liability insurance policies maintained by Melior, the Arrangement Agreement provides for the maintenance of such protection for six years. See “*General Proxy Information – Interests of Certain Persons in the Arrangement - Indemnification and Insurance*” below.

The current responsibility for the general management of Melior is held and discharged by a group of two executive officers. The executive officers of Melior are Mark McCauley, Chief Executive Officer, and Jonathan Mattiske, Chief Financial Officer.

The executive officers of Melior hold, in the aggregate, 266,699 Melior Shares, representing approximately 0.9% of the Melior Shares as of the Record Date. All of the Melior Securities held by the executive officers of Melior will be treated in the same fashion under the Arrangement as Melior Securities held by every other Melior Securityholder.

Indemnification and Insurance

Pursuant to the Arrangement Agreement, Metallica shall purchase and maintain director and officer liability “run-off” insurance for the benefit of the former directors and officers of Melior and Metallica for a period of not less than six (6) years following the Effective Date with coverage of not less than \$10,000,000 with respect to claims arising from facts or events that occurred on or before the Effective Date, including with respect to the Arrangement.

Melior has entered into indemnification agreements with each of its directors and officers. Pursuant to the Arrangement Agreement, Metallica has provided its covenant that it shall fulfill its obligations pursuant to the indemnities provided or available to past and present officers and directors of Melior and the Melior Subsidiaries pursuant to the provisions of their constating documents.

Indebtedness of Directors, Executive Officers and Senior Officers

No individual who is, or at any time during the most recently completed financial year of the Corporation was, a director or executive officer of the Corporation, no proposed nominee for election as a director of the Corporation, or any associate of any one of them is, or at any time since the beginning of the most recently completed financial year of the Corporation has been, indebted to the Corporation or was indebted to another entity, which such indebtedness is, or was at any time during the most recently completed financial year of the Corporation, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

Record Date

Only Melior Shareholders of record on the close of business on the 19th day of October, 2018, who either personally attend the Melior Meeting, or, who complete and deliver an instrument of proxy in the manner and subject to the provisions set out under the heading “*Appointment of Proxy*” and “*Revocation of Proxies*” will be entitled to have his or her Melior Shares voted at the Melior Meeting, or any adjournment or postponement thereof.

Voting Securities

The authorized share capital of the Corporation consists of an unlimited number of Melior Shares and an unlimited number of preferred shares, issuable in series. As at the Record Date, the Corporation has 28,979,963 Melior Shares, each of which carries the right to one vote, issued and outstanding. No preferred shares are currently issued and outstanding.

In order to be effective, the Arrangement Resolution to be submitted to the Melior Shareholders at the Melior Meeting must be approved by the affirmative vote of a majority of at least two-thirds of the votes cast by Melior Shareholders present in person or represented by proxy at the Melior Meeting. Additionally, pursuant to MI 61-101, the Arrangement Resolution must be passed by at least a majority of 50% plus one vote of the votes cast by the Minority Shareholders present in person or represented by proxy at the Melior Meeting.

A quorum at the Melior Meeting will consist of at least two Melior Shareholders present in person or represented by proxy and representing not less than 5% of the Melior Shares entitled to vote at the Melior Meeting.

Principal Shareholders

To the knowledge of the directors and senior officers of Melior as of the date hereof, only the following persons own, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of Melior:

Name of Shareholder	Number of Shares	Percentage of Issued and Outstanding Melior Shares as at the Record Date
Pala Investments Limited	13,210,736	45.6%
Takota Asset Management Inc.	3,585,055	12.2%
Belmont Park Investments Pty Ltd	3,187,714	11%

The above information was supplied to Melior by the Melior insiders and from the insider reports available at www.sedi.com.

BUSINESS OF THE MEETING

Arrangement Resolution

The primary purpose of the Melior Meeting is the consideration of the Arrangement. At the Melior Meeting, the Melior Shareholders will be asked to consider and, if deemed advisable, to pass the Arrangement Resolution, as set forth in Appendix “A” hereto, to approve the Arrangement under the BCBCA pursuant to the terms of the Arrangement Agreement and the Plan of Arrangement.

In order to implement the Arrangement, the Arrangement Resolution must be approved by (a) a majority of at least two-thirds of votes cast by the Melior Shareholders, present in person or by proxy at the Melior Meeting, and (b) a majority of at least 50% plus one vote of the votes cast by Minority Shareholders present in person or by proxy at the Melior Meeting. **It is the intention of the persons named in the enclosed proxy, in the absence of instructions to the contrary, to vote the proxy FOR the Arrangement Resolution.** If a Melior Shareholder does not specify how their Melior Shares are to be voted, the persons named as proxyholders will cast the votes represented by their proxy at the Melior Meeting **FOR** the Arrangement Resolution.

The Arrangement, the Plan of Arrangement and the terms of the Arrangement Agreement are summarized below. This summary does not purport to be complete and is qualified in its entirety by reference to the Arrangement Agreement, which has been filed by Melior under its profile on SEDAR at www.sedar.com, and the Plan of Arrangement, which is attached to this Circular as Appendix “B”.

If the Arrangement is approved at the Melior Meeting and the Final Order approving the Arrangement is issued by the Court, the Metallica Arrangement Resolution is approved at the Metallica Meeting, and the applicable conditions to the completion of the Arrangement are satisfied or waived, the Arrangement will take effect commencing at the Effective Time (which will be at 12:01 a.m. (Vancouver time)) on the Effective Date (which is expected to be on or about December 13, 2018).

At the Melior Meeting, Melior Shareholders are also being asked to consider and vote upon the Annual Resolutions. The Annual Resolutions are being put to Melior Shareholders for approval in the event that the Arrangement is not completed for any reason by December 31, 2018. If the Arrangement is completed as anticipated, many of the matters contemplated in the Annual Resolutions may cease to be relevant, as Metallica will, upon consummation of the Arrangement, own Melior directly and Melior Shareholders will cease to have any direct interest in Melior.

Completion of the Arrangement or approval of the Arrangement Resolution is not conditional upon the approval of any of the Annual Resolutions and/or the Exemptive Relief Resolution that Melior Shareholders are being asked to consider.

Exemptive Relief Resolution

Assuming the Arrangement Resolution is passed at the Melior Meeting and the Arrangement is completed, Metallica will become a reporting issuer in British Columbia, Alberta, Manitoba and Ontario. If, on a fully-diluted basis, 10% or fewer of the Metallica Shares upon completion of the Arrangement are owned, directly or indirectly, by residents in Canada, Metallica will be permitted under NI 71-102 to report in Canada as a “designated foreign issuer” which would mean that Metallica will be exempt from most of the continuous disclosure requirements of Canadian securities legislation provided Metallica complies with the continuous disclosure requirements of Australia.

However, if, on a fully-diluted basis, greater than 10% of the Metallica Shares upon completion of the Arrangement, are owned, directly or indirectly, by residents in Canada, Metallica will not, pursuant to the provisions of NI 71-102, be permitted to report in Canada as a “designated foreign issuer”. In such event, Metallica intends to apply to the Ontario Securities Commission (which, if the Arrangement is completed, will be Metallica’s principal regulator under the procedures described under MI 11-102) for exemptive relief so that it is permitted to report as a “designated foreign issuer”.

Therefore, at the Melior Meeting, Melior Shareholders will be asked to pass an ordinary resolution in the following form:

BE IT RESOLVED THAT:

1. the application by Metallica Minerals Limited (“**Metallica**”) to the Ontario Securities Commission which, if the arrangement with Melior Resources Inc. (the “**Corporation**”) is completed (the “**Arrangement**”), will be Metallica’s principal regulator under the procedures described under Multilateral Instrument 11-102 – *Passport System*, for exemptive relief to permit Metallica, immediately upon the completion of the Arrangement, to report as a “designated foreign issuer” pursuant to National instrument 71-102 – *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*, notwithstanding that Metallica may not otherwise meet the conditions to so report as a “designated foreign issuer”, which application if approved by shareholders of the Corporation is expected to be submitted by Metallica promptly upon the closing of the Arrangement, is approved; and
2. Any one officer or director of the Corporation is authorized and directed, for and on behalf of the Corporation, to do, or cause to be done, all such acts and things and execute, whether under the corporate seal or otherwise, and deliver, or cause to be delivered, such other documents, agreements, certificates and statements, as any such director or officer of the Corporation may deem necessary or desirable in order to carry out the foregoing resolution, the authority for the execution of such documents, agreements, certificates and statements and the doing of such other acts or things to be conclusively evidenced thereby.

Management recommends that Melior Shareholders vote FOR the approval of the ordinary resolution to approve the Exemptive Relief Resolution. Unless the shareholder directs that his, her or its Melior Shares are to be voted against the ordinary resolution to approve the Exemptive Relief Resolution, the persons named in the enclosed form of proxy will vote FOR the ordinary resolution to approve Exemptive Relief Resolution. A

majority of the votes cast by Melior Shareholders at the Melior Meeting is required to approve the ordinary resolution to approve the Exemptive Relief Resolution.

Financial Statements

The comparative financial statements of Melior for the financial year ended June 30, 2018, together with the auditor's report thereon, will be presented to the Melior Shareholders at the Melior Meeting, but no vote by the Melior Shareholders with respect thereto is proposed to be taken. Receipt at the Melior Meeting of the auditor's report and the Corporation's financial statements for its most recently completed financial year will not constitute approval or disapproval of any matters referred to therein. The audited financial statements of the Corporation for the financial year ended June 30, 2018, together with the auditor's report thereon, have been filed and are available on SEDAR at www.sedar.com (as refiled).

Election of Directors

The Melior Board currently consists of four directors. The articles of the Corporation provide that the number of directors on the Melior Board must be at least three. The number of directors to be elected at the Melior Meeting has been set by the Melior Board at four.

All of the nominees for election as directors of Melior are currently directors of the Corporation and have been directors since the date indicated below. Management does not contemplate that any of the following nominees will be unable to serve as a director of Melior; however, if that should occur for any reason before the Melior Meeting, the persons named in the enclosed form of proxy shall have the right to vote for another nominee in their discretion. Each director elected at the Melior Meeting will hold office until the next annual meeting of the shareholders of the Melior or until his successor is duly elected or appointed.

The following table including the notes thereto sets out the names of management's nominees for election as directors in the event the Arrangement is not completed, location of residence, the date on which he first became a director of Melior, all positions and offices with the Corporation held, his principal occupation during the prior five-year period and the number of Melior Shares which he beneficially owns, or controls or directs, directly or indirectly. Melior has an Audit Committee and a Nomination and Compensation Committee, the proposed members of which are identified below.

Name and Residence of Nominee	Position or Office	Principal Occupation(s) During Past 5 Years	Director of Corporation Since	Number of Melior Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly
Martyn Buttenshaw ⁽¹⁾⁽²⁾ Zug, Switzerland	Director	Managing Director with Pala Investments Limited.	March 30, 2014	41,666 ⁽³⁾
Mark McCauley ⁽¹⁾ Queensland, Australia	Director and CEO	CEO of Melior Resources Inc. from May 2014. Previously Managing Director of RMM Capital and CFO and Company Secretary of Felix Resources.	May 15, 2014	266,699
Rishi Tibriwal ⁽¹⁾⁽²⁾ Toronto, Canada	Director	CFO of Gravitas Financial Inc. from August 2014 to January 2017; CFO of Carpathian Gold Inc. from July 2012 to July 2014	Feb 10, 2017	Nil
George Lloyd Sydney, Australia	Director	Chairman of Ausenco Pty Ltd; Principal of Mineral Resource Strategies (a registered business name of The Lloyd Family Trust); non-executive director of Cemos Group Plc.	July 1, 2018	Nil

Name and Residence of Nominee	Position or Office	Principal Occupation(s) During Past 5 Years	Director of Corporation Since	Number of Melior Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly
		Previously non-executive director of Metro Mining Limited, Chairman of Cape Alumina Limited, Chairman of Pryme Energy Limited and Chairman of AWR Lloyd Limited.		

The information as to residence, principal occupation(s) and Melior Shares beneficially owned or controlled or directed is based on information furnished to Melior by the respective nominees as at the date of this Circular.

Notes:

- (1) The Audit Committee will be comprised of Rishi Tibriwal, George Lloyd and Mark McCauley. Rishi Tibriwal will serve as the Chair of the Audit Committee.
- (2) The Nomination and Compensation Committee will be comprised of Martyn Buttenshaw and Rishi Tibriwal. Martyn Buttenshaw will serve as the Chair of the Nomination and Compensation Committee.
- (3) Martyn Buttenshaw is also employed by the Lender, the Corporation's largest shareholder. See "Voting Securities and Principal Holders of Voting Securities".

In the event that the Arrangement is completed, Metallica will determine the directors and officers of Melior. It is expected that other than Rishi Tibriwal, all other current directors of Melior and the Melior Subsidiaries will retain their director and officer roles in such entities.

Biographies of Proposed Directors

The following are short biographies of each nominee for election as a director of the Corporation:

Martyn Buttenshaw – Martyn Buttenshaw is currently a Managing Director with the Lender. Mr. Buttenshaw has a wealth of direct mining experience. Most recently, he has worked closely with several of the Lender's portfolio companies including Sierra Rutile Limited, Norcast Wear Solutions and Melior, to assist in their execution of strategic plans, growth projects, product marketing strategy, development of corporate governance and achievement of operational goals. Mr. Buttenshaw previously worked for Anglo American plc. as a business development manager and as a senior mining engineer for Rio Tinto Minerals. Mr. Buttenshaw holds an MBA (with distinction) from the London Business School and a MEng (First Class) in Mining Engineering from the Royal School of Mines, Imperial College, London.

Mark McCauley – Mark McCauley was formerly Managing Director of Belridge Enterprises Pty Ltd, the former owner of the Goondicum project. Mr. McCauley has substantial mining experience and has been involved in the development of several major mining projects in Australia and Argentina, including turnaround and organizational restructuring. Mr. McCauley was a Non-Executive Director and Chair of the Audit Committee for Norton Goldfields Limited from September 2007 until June 2010 during which time he was also Managing Director for a nine month period of restructuring. Mr. McCauley served as Chief Financial Officer and Company Secretary of Felix Resources Ltd, an ASX listed coal mining company, from October 2003 to February 2007 during which time it went from a market cap of \$35 million to a market cap of over \$1 billion. Mr. McCauley has previously been a director of several AIM and ASX listed mining and exploration companies. Mr. McCauley completed an Advanced Management Programme at Harvard Business School in 2003, holds an MBA from Bond University in Australia (with Majors in Finance and Accounting) and has a Bachelor of Engineering from the University of Queensland.

Rishi Tibriwal – Mr. Tibriwal has more than 20 years of accounting and finance experience as well as broad experience in the resources sector. Mr. Tibriwal spent 10 years at Ernst & Young, with the last four years as a partner before setting up his own financial consulting services group. Mr. Tibriwal was also formerly the chief financial officer of Carpathian Gold Inc. and Gravitas Financial Inc. Mr. Tibriwal is a chartered accountant and earned an MBA in Finance from Newport University. Mr. Tibriwal is also a graduate of Mumbai University.

George Lloyd – Mr. Lloyd has over 35 years' resource industry and corporate finance experience and has served as a senior executive and board member of a number of listed and unlisted Australian resource companies with interests in minerals, energy and industry services. He is Chairman of Ausenco Pty Ltd, a global engineering services group, and a non-executive director of Cemos Group Plc. which is engaged in the cement industry in Southern Morocco. Mr. Lloyd was previously a non-executive director of Metro Mining Limited and Chairman of Cape Alumina Limited, both of which are engaged in development of bauxite resources in northern Australia; Chairman of Pryme Energy Limited, which was engaged in oil and gas exploration and production in USA; and Chairman of AWR Lloyd Limited, a south-east Asian based corporate finance adviser specializing in resources and infrastructure projects. Mr. Lloyd has a Bachelor of Engineering Science (Industrial Engineering) degree and a Master of Business Administration degree, both from the University of New South Wales, and is a Fellow of the Australian Institute of Company Directors.

Directorships with Other Reporting Issuers

The following nominee for election as a director of the Corporation currently serves as a director of the reporting issuer (or the equivalent in a jurisdiction outside of Canada), other than the Corporation, listed below:

Name	Name of Reporting Issuer (or equivalent outside Canada)
Martyn Buttenshaw	Kasbah Resources Limited (ASX)

Corporate Cease Trade Orders

Except as disclosed below, no proposed director of the Corporation is, or has been, within 10 years before the date of this Circular, a director, CEO or CFO of any company that: (a) was subject to an order that was issued while the proposed director was acting in the capacity as director, CEO or CFO; or (b) was subject to an order that was issued after the proposed director ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO. For the purposes hereof, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

On October 19, 2009, the OSC issued a management cease trade order ("**MCTO**") related to the securities of the Corporation against Joseph Belan, the CEO of the Corporation at such time, with respect to the delayed filing of the Corporation's annual financial statements, the related MD&A and the AIF, each for the year ended June 30, 2009. The terms of the MCTO provided that trading in and all acquisitions of securities of the Corporation, whether direct or indirect, by Joseph Belan must cease until two full business days following the receipt by the OSC of all filings the Corporation was required to make under Ontario securities law.

On September 29, 2010, the OSC issued a cease trade order (the "**Temporary Order**") for a period of 15 days against the Corporation for failure to file its audited annual financial statements, the related MD&A, and its AIF, each for the year ended June 30, 2010, and the certification of the foregoing filings. The Temporary Order provided that, if the default continued, a hearing would be held to consider whether an order should be made that all trading in the securities of the Corporation cease permanently or for such period as is specified in such order by reason of the continued default. In connection with the Temporary Order the Corporation's securities were suspended from trading by NEX.

On September 29, 2010, the British Columbia Securities Commission issued a cease trade order (the "**BC Order**") against the Corporation until such time as it filed the required documentation and the BC Order was revoked.

On October 12, 2010, the OSC issued a cease trade order (the "**ON Order**") against the Corporation which provided that all trading in the securities of the Corporation, whether direct or indirect, must cease until the ON Order is revoked.

On October 15, 2010, the Manitoba Securities Commission issued a cease trade order (the “**MB Order**”, and together with the BC Order and the ON Order, the “**Cease Trade Orders**”) against the Corporation until such time as it filed the required documentation, paid the outstanding filing fees, if any, and the MB Order was revoked.

The Corporation applied to have the Cease Trade Orders revoked on October 29, 2010, immediately following the filing of its AIF, its annual financial statements and the related MD&A, each for the year ended June 30, 2010. Each of the Cease Trade Orders and the MCTO were revoked on November 15, 2010.

On April 16, 2014, the Ontario Securities Commission issued a permanent management cease trade order, which superseded a temporary management cease trade order dated April 4, 2014, against the interim CEO of Carpathian Gold Inc. and Rishi Tibriwal, in his capacity as CFO of Carpathian Gold Inc. The permanent management cease trade order was issued in connection with Carpathian Gold Inc.’s failure to file its: (i) audited annual financial statements for the period ended December 31, 2013; (ii) management's discussion and analysis relating to the audited annual financial statements for the period ended December 31, 2013; and (iii) corresponding certifications of the foregoing filings as required by NI 52-109 in the Issuer's Annual and Interim Filings. The management cease trade order was lifted on June 19, 2014 following the filing of the required continuous disclosure documents on June 17, 2014.

Bankruptcies

Except as disclosed below, no proposed director of the Corporation: (a) is, or has been, within the 10 years before the date of this Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Mark McCauley was a non-executive director of Monto Minerals Ltd until he tendered his resignation in June 2008. On August 29, 2008, Monto Minerals Ltd appointed administrators under the ACA, following which the securities of Monto Minerals Ltd were suspended from trading on the Official List of the ASX.

Penalties and Sanctions

No proposed director of the Corporation has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable holder of Melior Shares in deciding whether to vote for such proposed director.

Management recommends that Melior Shareholders vote FOR the election of the proposed directors of the Corporation. Unless a Melior Shareholder directs that his, her or its Melior Shares are to be withheld from voting in connection with the election of the proposed directors, the persons named in the enclosed form of proxy will vote FOR the election of the proposed directors of the Corporation.

Reappointment of Auditor

At the Melior Meeting, Melior Shareholders will be called upon to approve the reappointment of MNP LLP as independent auditor of the Corporation to hold office until the close of the next annual meeting of shareholders, and to authorize the Board to establish its remuneration.

Management recommends that Melior Shareholders vote FOR the reappointment of MNP LLP as auditor of the Corporation and the authorization of the Melior Board to fix the remuneration of the auditor. Unless the shareholder directs that his, her or its Melior Shares are to be withheld from voting in connection with the

reappointment of the auditor, the persons named in the enclosed form of proxy will vote FOR the reappointment of MNP LLP as auditor of the Corporation and the authorization of the Melior Board to fix the remuneration of the auditor. A majority of the votes cast by Melior Shareholders at the Melior Meeting is required to approve the reappointment of the auditor and to authorize the directors to fix the remuneration of the auditor.

Approval of Melior Stock Option Plan

At the Melior Meeting, Melior Shareholders will be asked to consider and, if thought appropriate, approve an ordinary resolution of Melior Shareholders to approve and confirm effective the Melior Stock Option Plan. The complete text of the resolution for approval, with or without modification, at the Melior Meeting is set out in Appendix “K” to this Circular. Pursuant to the TSX Venture Exchange Corporate Finance Manual, rolling plans, such as the Melior Stock Option Plan, must receive shareholder approval yearly at the annual meeting of shareholders of the Corporation.

A summary of the terms of the Melior Stock Option Plan is set out below under “*Securities Authorized for Issuance under Equity Compensation Plans – Description of Melior Stock Option Plan*”. A copy of the complete text of the Melior Stock Option Plan is attached as Schedule “J” to this Circular.

Management recommends that Melior Shareholders vote FOR the approval of the ordinary resolution to approve and confirm effective the Melior Stock Option Plan. Unless the shareholder directs that his, her or its Melior Shares are to be voted against the ordinary resolution to approve and confirm effective the Melior Stock Option Plan, the persons named in the enclosed form of proxy will vote FOR the ordinary resolution to approve and confirm effective the Melior Stock Option Plan. A majority of the votes cast by Melior Shareholders at the Melior Meeting is required to approve the ordinary resolution to approve and confirm effective the Melior Stock Option Plan.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Corporation’s policies on executive compensation are intended to provide appropriate compensation for executives that is internally equitable, externally competitive and reflects individual achievements in the context of the Corporation’s achievements. The overriding principles in establishing executive compensation provide that compensation should reflect:

- (a) fair and competitive compensation commensurate with an individual’s experience and expertise in order to attract and retain highly qualified executives;
- (b) recognition and encouragement of leadership, entrepreneurial spirit and team work;
- (c) an alignment of the financial interests of the executives with the financial interests of the shareholders of the Corporation;
- (d) stock options and, in certain circumstances, bonuses to reward individual performance and contribution to the achievement of corporate performance and objectives; and
- (e) a contribution to enhancement of shareholder value.

Mark McCauley, the CEO of the Corporation, has the responsibility for recommending the level of salary and incentives for executive officers, including himself. The recommended salary and incentives are then reviewed and approved by the Nomination and Compensation Committee in accordance with the Charter of the Nomination and Compensation Committee. See “Compensation” in Appendix “M” “Corporate Governance Practices” for further details regarding the Nomination and Compensation Committee. The proposed Nomination and Compensation

Committee is comprised of Martyn Buttenshaw and Rishi Tibriwal. Rishi Tibriwal is independent within the meaning of NI 58-101.

There are three elements to the Corporation's executive compensation program: (1) base salary; (2) short-term compensation incentives for annual and personal performance; and (3) long-term compensation incentives related to long-term increase in Melior Share value. Officers and directors are not permitted to purchase financial instruments including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by such officers and directors.

Base Salary

The base salary for executive officers of the Corporation is reviewed and established annually, at or near the beginning of the financial year. Base salaries are based on the particular executive officer's personal performance and seniority, contribution to the business of the Corporation and the size and stage of development of the Corporation. Base salaries are also reviewed from time to time to ensure comparability with industry norms.

Short-Term Compensation Incentives

The Corporation may from time to time award discretionary bonuses. Bonuses may be awarded to certain executives where such executives meet personal objectives or where the Corporation achieves certain objectives as a direct or indirect result of such executive's efforts.

Long-Term Compensation Incentives

Long-term incentive compensation for executive officers is provided through grants of stock options pursuant to the Corporation's stock option plan or cash payments linked to Melior's share price performance. Stock option grants to executive officers are generally reviewed annually. The number of stock options or share price linked cash payments granted is based on each executive's salary range, responsibility and performance and takes into account the number and terms of stock options that have been granted to that executive previously. See "Securities Authorized For Issuance Under Equity Compensation Plans – Description of Melior Stock Option Plan" for further details relating to the Corporation's stock option plan.

The compensation of executive officers is set within guidelines developed by the Nomination and Compensation Committee and approved by the Melior Board and is consistent with the principles set out above. No specific quantitative targets are set by the Nomination and Compensation Committee with respect to the compensation of executive officers. In addition, although the performance of the Corporation is a factor that the Nomination and Compensation Committee considers when determining or approving the compensation of executive officers, it is primarily the factors described above that determine the compensation of the executive officers. The Board has considered the implications of the risks associated with the Corporation's compensation policies and practices and has not identified any risks that are reasonably likely to have a material adverse effect on the Corporation.

Summary Compensation Table

Form 51-102F6 of NI 51-102 requires the disclosure of certain financial and other information relating to a reporting issuer's 'Named Executive Officers', which are defined as an issuer's CEO, CFO and each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity whose total compensation was, individually, more than \$150,000 in the last fiscal year.

The following table sets forth the compensation earned in each of the Corporation's three most recently completed financial years by its Named Executive Officers.

Name and Principal Position	Year	Salary and Fees (\$)	Option-based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		All Other Compensation ⁽¹⁾ (\$)	Total Compensation (\$)
				Annual Incentive Plans	Long-Term Incentive Plans		
Mark McCauley⁽²⁾	2018	270,967	Nil	Nil	Nil	Nil	270,967
Chief Executive Officer	2017	216,334	94,284	Nil	Nil	Nil	310,746
	2016	209,951	Nil	Nil	Nil	Nil	214,680
Jonathan Mattiske	2018	157,506	Nil	Nil	Nil	Nil	157,506
Chief Financial Officer	2017	166,032	37,714	Nil	Nil	Nil	203,746
Logan Francis⁽³⁾	2018	110,930	Nil	Nil	Nil	Nil	110,930
Chief Operating Officer	2017	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Amounts for perquisites and other personal benefits, securities or property are not reported unless the aggregate amount is more than the lesser of \$50,000 or 10% of the total salary of the Named Executive Officer for the financial year.
- (2) Since August 2015, Mark McCauley's compensation has been AUS\$1,200 per day and AUS\$114 superannuation for consultancy services provided to Melior and Goondicum. Mr. McCauley's compensation as Managing Director of Goondicum Resources was base of AUS\$22,500 and AUS\$2,081 superannuation per month plus use of company vehicle until his resignation on November 27, 2015.
- (3) Logan Francis was appointed as Chief Operating Officer in August of 2017 and ceased his employment with the Corporation on November 30, 2017.

The Corporation announced that it had issued options to Mark McCauley, Jonathan Mattiske, Charles Entrekin, Martyn Buttenshaw and Rishi Tibriwal on February 13, 2017, pursuant to the Corporation's stock option plan, including 500,000 Melior Options to Mark McCauley, 200,000 Melior Options to Jonathan Mattiske, 200,000 Melior Options to Charles Entrekin, 125,000 Melior Options to Martyn Buttenshaw and 125,000 Melior Options to Rishi Tibriwal (collectively, the **"February Options"**). Each February Option is exercisable for one Melior Share at a price of \$0.60 per Melior Share. On July 13, 2018, the Corporation announced that it had issued to George Lloyd 125,000 Melior Options (the **"Lloyd Options"**), each such Lloyd Option exercisable for one Melior Share at a price of \$0.80 per share. One third of the February Options and the Lloyd Options can be exercised after six months of issuance, one third after 18 months of issuance, and one third after 30 months of issuance. The value in the "Option-based Awards" column in the table above represents the total number of options issued to the applicable director or officer multiplied by the fair market value of such options as calculated using the Black Scholes method. The key assumptions used to calculate the fair market value of the options were, in respect of the February Options a risk-free interest rate of 0.92% and expected stock price annual volatility of 176.14% and in respect of the Lloyd Options a risk-free interest rate of 1.98% and expected stock price annual volatility of 471%.

Incentive Plan Awards

The following table provides, for each Named Executive Officer and director, a summary of all awards outstanding at the end of the fiscal year ended June 30, 2018.

Outstanding Option-based Awards

Name and Principal Position	Option-based Awards			
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options ⁽¹⁾ (\$)
Mark McCauley Chief Executive Officer	333,334	0.60	February 10, 2020	83,333
Jonathan Mattiske Chief Financial Officer and Corporate Secretary	200,000	0.60	February 10, 2020	50,000
Martyn Buttenshaw Director	83,334	0.60	February 10, 2020	20,833
Rishi Tibriwal ⁽¹⁾ Director	125,000	0.60	February 10, 2020	31,250

Notes:

(1) Calculated based on a price per Melior Share of \$0.85 as at June 30, 2018.

Incentive Plan Awards – Value Vested or Earned during Fiscal 2018

The following table sets forth each Named Executive Officer, the value of option-based awards and share-based awards which vested during the year ended June 30, 2018 and the value of non-equity incentive plan compensation earned during the year ended June 30, 2018:

Name and Principal Position	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Mark McCauley Chief Executive Officer	Nil	Nil	Nil
Jonathan Mattiske Chief Financial Officer and Corporate Secretary	\$16,667	Nil	Nil
Logan Francis ⁽¹⁾ Chief Operating Officer	Nil	Nil	Nil

Notes:

(1) Logan Francis was appointed as Chief Operating Officer in August of 2017 and ceased his employment with the Corporation on November 30, 2017.

Pension Plan Benefits

The Corporation does not provide retirement or pension benefits for directors or executive officers.

Termination and Change of Control Benefits

Jonathan Mattiske was appointed as CFO on November 2, 2016 and is employed pursuant to an employment agreement. Under the terms of the employment agreement, Mr. Mattiske must receive a minimum of four weeks' notice, except if he commits serious misconduct or fails to perform his duties, in which case termination may occur without notice or payment in lieu of notice. Mr. Mattiske's employment agreement does not contain any change of control provisions.

Mark McCauley, the CEO, is employed pursuant to terms set out in an employment agreement. The agreement terms provide that Mark McCauley is entitled to twelve week's written notice or payment in lieu of such notice of twelve week's salary. The Corporation can terminate Mark McCauley's employment at any time if he commits any act of serious misconduct without notice or payment in lieu thereof. In the event of any change of control of the Corporation, the agreement contains a provision for payment of \$262,500 plus, on a *pro rata* basis, the amount owed to Mr. McCauley under the Corporation's long-term incentive plan, which payments have been waived by Mr. McCauley in connection with the Arrangement. The agreement also provides that Mark McCauley will not, during his employment with the Corporation and for twelve weeks after termination thereof, within Australia (i) engage in business that is similar to or competitive with the Corporation's business, (ii) solicit employees, contractors or agents of the Corporation, or (iii) do anything which might harm the Corporation's relationships with its customers, employees, contractors and agents.

If the CEO and CFO had been terminated on June 30, 2018 they would have been entitled to \$70,077 and \$77,654, respectively.

Director Compensation

From March 30, 2014 to August 1, 2015, the Corporation paid an annual retainer of US\$20,000 to directors (US\$40,000 to the Chair). In addition, members of the committees of the Board were paid an annual committee fee of US\$3,000 (US\$5,000 to the Chair) in respect of each committee on which they sat. On August 1, 2015, all Board remuneration and fees were suspended. On February 13, 2017, the Corporation announced that it would recommence the remuneration of its non-executive directors by way of an annual retainer of \$22,500 (US\$25,000 to the Chair), with no additional committee fees payable. On July 1, 2018, the Corporation increased the remuneration of its non-executive directors from the previous annual retainer amount of \$22,500 to \$40,000 (and US\$25,000 to US\$60,000 for the Chair).

Mark McCauley's compensation during the most recently completed financial year, ended June 30, 2018, is disclosed above under the heading "Summary Compensation Table". The other directors of the Corporation were compensated as follows:

Name	Fees Earned (\$)	Option Based Awards (\$)	Total (\$)
Martyn Buttenshaw	\$27,531	Nil	\$27,531
Rishi Tibriwal	\$22,500	Nil	\$22,500
Charles Entrekin ⁽¹⁾	\$15,649	Nil	\$15,649

Notes:

(1) Charles Entrekin resigned as a director on December 12, 2017.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information concerning the Melior Stock Option Plan as at June 30, 2018. The Corporation has no equity compensation plans other than the Melior Stock Option Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by shareholders	741,667	\$0.60	2,156,330
Equity compensation plans not approved by shareholders	N/A	N/A	N/A
Total	741,667	\$0.60	2,156,330

The aggregate number of Melior Shares reserved for issuance upon the exercise of options pursuant to the Melior Stock Option Plan is such number of Melior Shares as is equal to 10% of the number of issued and outstanding Melior Shares from time to time. As at the date of this Circular, the maximum number of Melior Shares which may be issued under the Melior Stock Option Plan is 2,897,997 (representing 10% of the Melior Shares currently issued and outstanding as at the Record Date).

Description of Stock Option Plan

The Melior Stock Option Plan provides for the grant of options to purchase Melior Shares to eligible directors, senior officers, employees and consultants of the Corporation or any of its affiliates (“**Participants**”). The purpose of the Melior Stock Option Plan is to attract, retain, motivate and compensate persons who are integral to the growth and success of the Corporation. The Melior Stock Option Plan is administered by the Melior Board. All of the powers exercisable by the Melior Board under the Melior Stock Option Plan may, to the extent permitted by applicable law and as authorized by the Melior Board, be exercised by the Nomination and Compensation Committee. The aggregate number of Melior Shares currently reserved for issuance upon the exercise of options pursuant to the Melior Stock Option Plan is equal to 10% of the number of issued and outstanding Melior Shares. The number of Melior Shares reserved for issuance to any one participant upon the exercise of options pursuant to the Melior Stock Option Plan shall not exceed 5% of the total number of Melior Shares issued and outstanding. The number of Melior Shares reserved for issuance to any one non-employee director upon the exercise of options pursuant to the Melior Stock Option Plan shall not exceed 2% of the total number of Melior Shares issued and outstanding.

The number of Melior Shares issuable to insiders pursuant to options granted under the Melior Stock Option Plan and all other security based compensation arrangements of the Corporation shall not, at any time, exceed 10% of the total number of Melior Shares then issued and outstanding. The number of Melior Shares issued to insiders pursuant to options granted under the Melior Stock Option Plan and all other security based compensation arrangements shall not, within a one year period, exceed 10% of the total number of Melior Shares then issued and outstanding. The number of Melior Shares issued to any insider and such insider’s associates pursuant to options granted under the Melior Stock Option Plan and all other security based compensation arrangements shall not, within a one year period, exceed 5% of the total number of Melior Shares then issued and outstanding.

The number of options granted to any one Participant under the Melior Stock Option Plan and all other security based compensation arrangements of the Corporation shall not result in the grant to such Participant of in excess of 5% of the number of Melior Shares outstanding immediately prior to the grant of any such options within any 12 month period unless disinterested shareholder approval is obtained. The number of options granted to any one consultant under the Melior Stock Option Plan and all other security based compensation arrangements of the Corporation shall not result in the grant to such consultant of in excess of 2% of the number of Melior Shares outstanding immediately prior to the grant of any such options within any 12 month period.

In addition to the limitations on the grant of options under the Melior Stock Option Plan described above, the number of shares reserved for issuance to any one person pursuant to options shall not exceed 5% of the issued and outstanding Melior Shares and the number of Melior Shares reserved for issuance pursuant to options granted to directors who are not also employees of the Corporation, in the aggregate, shall not exceed 1% of the issued and outstanding Melior Shares.

The exercise price of an option is set by the Melior Board at the time of grant, but may not be less than the closing price of the Melior Shares on the principal stock exchange on which the Melior Shares are listed on the last trading day preceding the date on which the grant of the option is approved by the Melior Board. The Melior Stock Option Plan provides for flexible vesting, at the discretion of the Board. Under the Melior Stock Option Plan, the Board determines the term of any options granted, which shall not exceed 10 years from the date of grant.

The expiration of any option will be accelerated if the Participant’s employment or other relationship with the Corporation terminates. An optionee that ceases to be a Participant (for reasons other than termination for cause) has 90 days from the date of termination to exercise all existing vested options; provided that in no event shall such right extend beyond the option period. In the event of the death of a Participant, the options granted to the Participant shall be exercisable thereafter by the person or persons to whom the Participant’s rights under the option shall pass

by the Participant's will or the laws of descent and distribution; provided that in no event shall such right extend beyond the option period. If the date on which an option expires occurs during or within two business days after the last day of a trading black-out period imposed pursuant to the Corporation's insider trading policy (as it may be amended from time to time), the expiry date of such option shall be the date that is 10 business days following the date of expiry of the black-out period.

Any exercises of options will make new grants available under the Melior Stock Option Plan, effectively resulting in reloading of the number of options available to grant under the Melior Stock Option Plan. In the event that options granted are surrendered in accordance with the provisions of the Melior Stock Option Plan, or terminate or expire without being exercised in whole or in part, the Melior Shares reserved for issuance but not purchased under such lapsed options shall be available for subsequent options to be granted under the Melior Stock Option Plan.

The benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Melior Stock Option Plan are not assignable or transferable by the Participant except: (a) from the Participant to an entity controlled by the Participant or the Participant's registered retirement savings plan ("RRSP") or registered retirement income fund ("RRIF") or from an entity controlled by the Participant or the Participant's RRSP or RRIF to the Participant and, in either such event, the provisions of the Melior Stock Option Plan shall apply *mutatis mutandis* as though they were originally issued to and registered in the name of the Participant; or (b) as otherwise specifically permitted under the Melior Stock Option Plan and in accordance with applicable laws.

The Melior Stock Option Plan further provides that if there is a consolidation, merger or statutory amalgamation or arrangement of the Corporation with or into another corporation, a separation of the business of the Corporation into two or more entities or a transfer of all or substantially all of the assets of the Corporation to another entity, upon the exercise of an option under the Stock Option Plan, the holder thereof shall be entitled to receive the securities, property or cash which the holder would have received upon such consolidation, merger, amalgamation, arrangement, separation or transfer if the holder had exercised the option immediately prior to such event, unless the Melior Board otherwise determine the basis upon which such option shall be exercisable. In addition, the Melior Stock Option Plan provides for accelerated vesting in such circumstances, at the discretion of the Melior Board. Subject to the approval of any stock exchange on which the Corporation's securities are listed, the Melior Board may suspend, amend or terminate the Melior Stock Option Plan.

The following types of amendments to the Melior Stock Option Plan or an option granted under the Melior Stock Option Plan require shareholder approval: (a) any increase in the maximum number of Melior Shares issuable under the Melior Stock Option Plan; (b) any reduction in the exercise price of outstanding options; (c) the cancellation of any option for the purpose of exchange for re-issuance at a lower exercise price to the same person; (d) any extension of the expiry date of an outstanding option (other than in accordance with the Melior Stock Option Plan); (e) any increase in the term of options granted under the Melior Stock Option Plan beyond 10 years from the date of grant; (f) any amendment to transfer provisions applicable to options granted under the Melior Stock Option Plan; (g) any amendment for which applicable law or rules of the TSX Venture Exchange require approval of the shareholders of the Corporation; (h) any change in the matters requiring shareholder approval under the Melior Stock Option Plan; and (i) any expansion in the class of Participants to whom options may be granted under the Melior Stock Option Plan. The Board may approve all other amendments to the Melior Stock Option Plan or options granted under the Melior Stock Option Plan.

The Melior Stock Option Plan has not been amended in any respect since it was approved by the shareholders at the last annual meeting of the Corporation. A copy of the Melior Stock Option Plan is attached as Appendix "L" to this Circular. Pursuant to the TSX Venture Exchange Corporate Finance Manual, rolling plans, such as the Melior Stock Option Plan, must receive shareholder approval yearly at the annual meeting of shareholders of the Corporation.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

NI 58-101 and National Policy 58-201 – *Corporate Governance Guidelines* ("NP 58-201") set out a series of guidelines for effective corporate governance. Each reporting issuer, including the Corporation, must disclose on an annual basis and in prescribed form, the corporate governance practices that it has adopted. The Corporation's disclosure with respect to its corporate governance practices is attached to this Circular as Appendix "M".

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The charter of the Corporation’s Audit Committee is attached to this Circular as Appendix “N”.

Composition of the Audit Committee

The Audit Committee is comprised of Rishi Tibriwal, George Lloyd and Mark McCauley. The Corporation is relying on the exemption in section 6.1 of NI 52-110 for venture issuers with respect to the composition of the Audit Committee.

Relevant Education and Experience

The relevant education and experience of each current and proposed Audit Committee member is disclosed above under “Election of Directors – Biographies of Proposed Directors”.

Pre-approval Policies and Procedures

The Audit Committee requires the Corporation to obtain Audit Committee approval for any non-audit services exceeding immaterial amounts. The Audit Committee has pre-approved certain non-audit services under prescribed limits; for all other services and services above these limits, specific consideration by, and approval of, the Audit Committee is required.

External Auditor Service Fees

The following are the aggregate fees incurred by the Corporation for services provided by its external auditors during the financial years ended June 30, 2018 and June 30, 2017:

	2018(\$)	2017(\$)
Audit Fees		
Annual audit	44,560	48,000
Total Audit Fees	44,560	48,000
Tax Fees		
Tax compliance	Nil	4,000
Total Tax Fees	Nil	4,000
Other Fees	-	-
TOTAL FEES	44,560	52,000

There were no “Other Fees” during the financial years ended June 30, 2018 and June 30, 2017. “Tax Fees” related to preparation of the Corporation’s tax returns.

THE ARRANGEMENT

Purpose of the Arrangement

The purpose of the Arrangement is the acquisition of Melior by Metallica and the combination of their respective business.

Following completion of the Arrangement, Melior Shareholders will continue to retain an interest in the business of Melior, as well as the business of Metallica, but their interest will be held through Metallica Shares.

Melior will become a wholly-owned subsidiary of Metallica. Metallica's assets will consist of its presently held properties and Melior's Goondicum Mine. See Appendix "F" – "*Information Concerning Metallica*"

The description of the Arrangement in this section "The Arrangement" is qualified in its entirety by reference to the full text of the Plan of Arrangement, a copy of which is attached as Appendix "B" hereto and the full text of the Arrangement Agreement, which is available on SEDAR under Melior's profile. In the event of any inconsistency between the descriptions of the Arrangement, the Plan of Arrangement or the terms of the Arrangement Agreement contained herein and the terms of the Plan of Arrangement or the Arrangement Agreement, the Plan of Arrangement and the Arrangement Agreement, as applicable, shall govern.

Principal Steps of the Arrangement

The Arrangement Agreement establishes the Plan of Arrangement, which provides for the following general steps to occur and be deemed to occur without further act or formality commencing at the Effective Time, but in the order and with the timing set out in the Plan of Arrangement:

1. Dissenting Shares. Melior Shares held by Dissenting Shareholders will be deemed to be transferred by the holder thereof, without any further act or family on its part, free and clear of all liens, claims and encumbrances, to Metallica, and thereupon such Dissenting Shareholder shall have the right to be paid by Metallica the fair value of such holder's Dissenting Shares in accordance with the Plan of Arrangement.
2. Exchange of Melior Shares. Each issued and outstanding Melior Share (other than Melior Shares held by Dissenting Shareholders) will be exchanged for Metallica Shares on the basis of twenty (20) Metallica Shares for each Melior Share held and pursuant to which (i) such holder will cease to be a holder of Melior Shares, (ii) Metallica shall allot and issue Metallica Shares to which such holder is entitled; and (iii) each Melior Share so exchanged will be transferred to Metallica free and clear of all encumbrances.
3. Melior Options. Each issued and outstanding Melior Option will be exchanged for a Metallica Replacement Option which shall be exercisable to acquire, on the same terms and conditions as were applicable to such Melior Option immediately prior to the Effective Time, the number of Metallica Shares (rounded down to the nearest whole number) equal to the product of: (A) the number of Melior Shares subject to such Melior Option immediately prior to the Effective Time, and (B) the Exchange Ratio. The exercise price per Metallica Share subject to any such Metallica Replacement Option shall be an amount (rounded up to the nearest tenth of a cent) equal to the quotient of: (A) the exercise price per Melior Share subject to such Melior Option immediately prior to the Effective Time, divided by (B) the Exchange Ratio, converted to A\$ at the Exchange Rate. The obligations of Melior under the Melior Options as so exchanged shall be assumed by Metallica. Except as set out above and subject to any requirements necessary to conform with ASX Listing Rules, the term to expiry, conditions to and manner of exercise (provided any Metallica Replacement Option shall be exercisable at the offices of Metallica) and other terms and conditions of each of the Metallica Replacement Options shall be the same as the terms and conditions of the Melior Option for which it is exchanged and, for greater certainty, each Metallica Replacement Option shall continue to be governed by and be subject to the terms of the Melior Stock Option Plan and the agreement evidencing the grant of such Melior Option with respect to such terms and conditions, except for the Melior Options issuable to the Financial Advisor which shall continue to be governed by and subject to the terms of the agreement evidencing the grant of such Melior Options but not the Melior Stock Option Plan.
4. Melior Warrants. Each Melior Warrant outstanding immediately prior to the Effective Time shall be exchanged for a Metallica Replacement Warrant exercisable to acquire, on the same terms and conditions as were applicable to such Melior Warrant immediately prior to the Effective Time, the number of Metallica Shares (rounded down to the nearest whole number) equal to the product of: (A) the number of Melior Shares subject to such Melior Warrant immediately prior to the Effective Time; and (B) the Exchange Ratio. The exercise price per Metallica Share subject to any such Metallica Replacement Warrants shall be an amount (rounded up to the nearest tenth of a cent) equal to the quotient of: (A) the exercise price per Melior Share subject to such Melior Warrant immediately prior to the Effective Time divided by (B) the Exchange Ratio, converted to A\$ at the Exchange Rate. Except as set out above and subject to any requirements necessary to conform with ASX Listing Rules, the term to expiry, conditions to and manner of exercise (provided any Metallica Replacement

Warrant shall be exercisable at the offices of Metallica) and other terms and conditions of each Metallica Replacement Warrant shall be the same as the terms and conditions of the Melior Warrant for which it was exchanged.

5. Subsidiary. Melior will become a wholly owned subsidiary of Metallica.

As a result of the Arrangement:

- (a) Metallica will indirectly hold all of the assets of Melior as a result of holding all of the outstanding Melior Shares; and
- (b) the Melior Shares will be delisted from trading on the TSX-V.

For more detailed information, see the Plan of Arrangement attached to this Circular as Appendix “B”.

No fractional securities will be issued. Any fractions resulting will be rounded down to the next whole number.

Treatment of Warrants and Options

The Arrangement Agreement and the Plan of Arrangement provide that each issued and outstanding Melior Option will be exchanged for a Metallica Replacement Option to acquire on the terms and conditions set forth in the Melior Stock Option Plan (except as set out herein and as may be necessary to conform with ASX Listing Rules, and except in the case of Melior Options granted to the Financial Advisor which shall continue to be governed by the agreement evidencing such grant), the number of Metallica Shares (rounded down to the nearest whole number) equal to the product of: (A) the number of Melior Shares subject to such Melior Option immediately prior to the Effective Time, and (B) the Exchange Ratio. The exercise price per Metallica Share subject to any such Metallica Replacement Option shall be an amount (rounded up to the nearest tenth of a cent) equal to the quotient of: (A) the exercise price per Melior Share subject to such Melior Option immediately prior to the Effective Time, divided by (B) the Exchange Ratio, converted to A\$ at the Exchange Rate.

The Melior Warrants outstanding immediately prior to the Effective Time shall be exchanged for a Metallica Replacement Warrant exercisable to acquire, on the same terms and conditions as were applicable to such Melior Warrant immediately prior to the Effective Time (except as set out herein and as may be necessary to conform with ASX Listing Rules), the number of Metallica Shares (rounded down to the nearest whole number) equal to the product of: (A) the number of Melior Shares subject to such Melior Warrant immediately prior to the Effective Time; and (B) the Exchange Ratio. The exercise price per Metallica Share subject to any such Metallica Replacement Warrants shall be an amount (rounded up to the nearest tenth of a cent) equal to the quotient of: (A) the exercise price per Melior Share subject to such Melior Warrant immediately prior to the Effective Time divided by (B) the Exchange Ratio, converted to A\$ at the Exchange Rate.

Following the Effective Date, the certificates, agreements or other instruments representing the former Melior Options and Melior Warrants will be deemed only to represent the right to receive a certificate representing the number of Metallica Replacement Options and Metallica Replacement Warrants to which a holder of the former Melior Options and/or Metallica Replacement Warrants may be entitled to in accordance with the Plan of Arrangement. Metallica will deliver certificates representing the Metallica Replacement Options and Metallica Replacement Warrants to the holders thereof at their address on record with Melior within ten (10) Business Days of the Effective Date.

Based on the Melior Options and Melior Warrants outstanding on the record date, upon completion of the Arrangement, holders of Melior Options and Melior Warrants will be entitled to acquire an aggregate of 134,828,320 Metallica Shares upon the exercise of the Metallica Replacement Options and Metallica Replacement Warrants as follows:

Melior Options and Melior Warrants

Type of Security	Before Giving Effect to the Arrangement			After Giving Effect to the Arrangement		
	Number of Melior Shares Issuable Upon Exercise or Conversion	Exercise or Conversion Price per Melior Share	Expiry Date or Maturity Date	Number of Metallica Shares Issuable Upon Exercise or Conversion	Exercise or Conversion Price per Metallica Share ⁽¹⁾	Expiry Date or Maturity Date
Options	333,333	\$0.60	February 10, 2020	6,666,660	A\$0.0322	February 10, 2020
Options	83,333	\$0.60	February 10, 2020	1,666,660	A\$0.032	February 10, 2020
Options	125,000	\$0.60	February 10, 2020	2,500,000	A\$0.032	February 10, 2020
Options	200,000	\$0.60	February 10, 2020	4,000,000	A\$0.032	February 10, 2020
Options	125,000	\$0.80	July 13, 2021	2,500,000	A\$0.043	July 13, 2021
Options	1,000,000	A\$1.25	2 years post date of issue	20,000,000	A\$0.067	2 years post date of issue
Warrants	1,326,250	\$1.05	January 25, 2020	26,525,000	A\$0.056	January 25, 2020
Warrants	298,500	\$1.05	February 1, 2020	5,970,000	A\$0.056	February 1, 2020
Warrants	3,250,000	\$0.95	August 9, 2020	65,000,000	A\$0.051	August 9, 2020

Notes:

(1) Calculated based on the \$ to A\$ daily exchange rate on September 12, 2018 of \$1.00 = A\$1.0741 as reported by the Bank of Canada.

Background to the Arrangement

The Arrangement is the result of lengthy negotiations conducted among representatives of Melior and Metallica, and their respective financial and legal advisors. The Arrangement is the culmination of continuous efforts by Melior to seek and evaluate strategic and business opportunities. The following is a summary of the material events leading up to the negotiation of the Arrangement Agreement and the material meetings, negotiations and discussions between the parties that preceded the execution and public announcement of the Arrangement Agreement.

Melior is a TSX-V listed company focused on assessing, developing and operating resource projects. Melior is the owner and operator of the Goondicum ilmenite and apatite mine strategically located in Queensland, Australia. The Goondicum Mine is a near-operational project, with significant infrastructure and processing facilities on site, which previously operated for various periods producing and selling ilmenite and apatite.

On August 2, 2015, Melior announced that, in light of the weak ilmenite market, it considered that it was in the best interests of shareholders to pause production and place the Goondicum Mine on care and maintenance. The Corporation also announced that it had entered into a secured loan agreement with Pala to borrow up to an aggregate of US\$5 million. The proceeds of the loan were to be used to for general working capital purposes at Melior and the Goondicum Mine during the temporary period of non-production as well as to support the anticipated re-start of the mine's operations in stronger market conditions.

Since placing the Goondicum Mine on care and maintenance in August 2015, the Melior Board and senior management have periodically reviewed Melior's business plans and strategic opportunities, considering Melior's competitive market position and the viability of potential strategic alternatives including, without limitation, mergers, acquisitions, joint ventures, strategic alliances and organic growth, in each case with the goal of pursuing initiatives in the Corporation's best interests and enhancing shareholder value.

On November 9, 2016 Melior announced that it had reached agreement with Pala to amend the terms of its August 2, 2015 loan facility to make available an additional US\$300,000 to be added to the then outstanding principal amount of US\$2.7 million under the Pala loan. The agreement also provided that if, at any time prior to October 31, 2017, Melior announced or completed a change of control transaction or sale of 25% or more of its interests or assets relating to the Goondicum Mine which resulted in proceeds of more than US\$4 million, a mandatory prepayment of the Pala loan, including payment of a make whole amount of up to US\$2 million (the "**Make Whole Amount**"), would be required.

On June 27, 2017 and again on July 12, 2017 Melior announced agreements in principle with Pala to further amend the terms of its loan agreement whereby the debt facility available to Melior was increased to an aggregate of US\$4,750,929 and the term was extended from October 24, 2017 to June 30 2019 with Pala having the right to convert part or all of the amount outstanding thereunder into Melior Shares at a 15% premium to the 20-day volume weighted average share price of the Melior Shares on the date the amendment was announced.

On January 25, 2018 Melior announced the closing of the first tranche of a non-brokered private placement, raising gross proceeds of \$1,063,000 and the signing of a letter of intent for a US\$5 million loan and 600,000 tonne ilmenite offtake agreement with Hainan Wensheng High Tech Materials Co. Ltd ("**Hainan Wensheng**"), a leading Chinese producer of zircon, ilmenite and rutile products. Melior also announced the continued availability of the Pala debt facility and agreement in principle for the provision by Pala of a US\$2 million stand-by facility to assist with working capital during the ramp-up of the operations.

On April 10, 2018 Melior announced that it had completed and executed loan off-take agreements (together the "**O&L Agreements**") with Hainan Wensheng. Melior also announced the execution of a US\$7.25 million debt facility with Pala in connection with the restart of the Goondicum Mine (the "**Pala Restart Facility**").

On April 19, 2018 Melior announced the proposed restart of the Goondicum Mine and that it was targeting to start commissioning of the operation in November 2018 with production ramping up thereafter.

On April 28, 2018 Melior engaged Argonaut Capital Limited ("**Argonaut**") to act as Melior's financial advisor in connection with identifying, assessing and executing merger and acquisition opportunities. In May 2018 Melior also engaged Australian counsel Hopgood Ganim to advise with respect to potential options to gain access to the Australian capital market through a listing on the ASX, including through a new listing and/or a takeover or merger with an ASX listed issuer.

On May 23, 2018 internal discussions among Melior management identified Metallica as having significant cash resources as well as interests in heavy minerals and silica sand that may be useful additions for Melior. During the week of June 4, 2018 Argonaut facilitated an introduction to Metallica and an initial call was held between Simon Slesarewich, the Managing Director of Metallica and Mark McCauley, Chief Executive Officer of Melior, primarily to discuss Metallica's heavy mineral sands and silica sands assets. Melior management also completed a high-level review of Metallica and its business.

On June 12 and 13, 2018 an in person meeting occurred between Simon Slesarewich and Mark McCauley and the concept of a combination of the companies was first raised. During the week of June 18, 2018 Simon Slesarewich, Mark McCauley and Martyn Buttenshaw (Chairman of the Melior Board) met to further discuss a potential business combination.

On June 22, 2018 the Melior Board first discussed a potential business combination with Metallica and was supportive of the concept. The Melior Board authorized management to explore the combination further including the development of a non-binding term sheet and the entering into of a mutual confidentiality agreement with

Metallica to facilitate discussions between the parties. On June 22, 2018 the Melior Board also resolved to move forward with a continuance from British Columbia to Australia and a dual listing on the ASX and TSX-V, with the ASX being the primary listing in the event the transaction with Metallica did not proceed.

During the week of June 25, 2018 Simon Slesarewich visited the Goondicum Mine with Mark McCauley; and Melior management with input from Melior directors and counsel, prepared a non-binding letter of intent which was presented to Metallica on June 30, 2018 setting out the indicative terms of a possible business combination. Subsequent discussion between Mark McCauley and Simon Slesarewich followed which included revisions to the terms of the proposed letter of intent.

On July 5, 2018 the Melior Board met to discuss, amongst other things, the proposed transaction and to approve the entering into of the non-binding letter of intent which set forth certain non-binding understandings between the Melior and Metallica with respect to a potential transaction which was subject to, among other things, satisfactory due diligence and execution of definitive transaction documents.

On July 6, 2018, Melior and Metallica executed the non-binding letter of intent which proposed a merger of the two companies by way of plan of arrangement under the BCBCA and set out initial indicative terms for the merger. Melior instructed its Canadian counsel to commence drafting the Arrangement Agreement for the transaction and received advice from its counsel with respect to the establishment of a special committee of independent directors and engagement by the Special Committee of a financial advisor and independent counsel to advise it in connection with the transaction. Melior also received advice from its counsel with respect to the requirements of MI 61-101 and the requirements applicable to a “business combination” under MI 61-101, including the need for a majority of the minority shareholder approval excluding any “interested parties”.

During the week of July 9, 2018 Mark McCauley, Martyn Buttenshaw, Simon Slesarewich and Peter Turnbull (Chairman of Metallica) made a site visit to Metallica’s Urquhart Point bauxite project during which certain outstanding terms in the letter of intent were discussed, including a mutual break fee. On July 12, 2018 the Melior Board met to discuss feedback from the site visit and Argonaut provided the Melior Board with its view on the proposed transaction. The Melior Board resolved to continue with the due diligence on Metallica, negotiation of terms and the drafting of the definitive documentation, including the Arrangement Agreement. In that regard, Melior management began to engage with Melior’s principal shareholders (Pala, Belmont Park & Panorama Ridge which collectively hold approximately 66% of Melior’s issued and outstanding shares) regarding the transaction and the waivers and voting support agreements requested from such shareholders.

On July 19, 2018, the Melior Board constituted the Special Committee consisting of George Lloyd (as Chairman) and Rishi Tibriwal, directors of Melior who are considered independent directors within the meaning of MI 61-101, with a broad mandate that included assessing, considering, reviewing and negotiating the Arrangement and the Arrangement Agreement and any other proposed transactions and alternatives to the Arrangement, making recommendations to the Melior Board with respect thereto, engaging such professional advisors as the Special Committee considers appropriate and making determinations and taking such actions as the Special Committee may consider necessary or advisable having regard to the requirements of MI 61-101. Pursuant to the mandate, the members of the Special Committee were compensated for their participation in the activities of the Special Committee by payment of a fixed retainer fee that was not contingent on the Special Committee’s findings or the successful completion of the Arrangement.

On July 21, 2018, the Special Committee retained DuMoulin Black LLP as its independent legal advisor. Thereafter, the Special Committee met with DuMoulin Black LLP to review the mandate and duties of the Special Committee.

On August 1, 2018, the Special Committee, after receiving proposals from and having follow up discussions regarding several financial advisor candidates, engaged KPMG to provide an independent fairness opinion to address whether the Share Consideration to be received by Melior Shareholders is fair, from a financial point of view, to Melior Shareholders. KPMG was engaged on a fixed fee basis which was not contingent on KPMG’s findings or the successful completion of the Arrangement. Also on July 30, 2018, Melior management engaged McCullough Robertson as Melior’s Australian counsel in connection with the transaction, replacing Hopgood Ganim.

The mandate of the Special Committee also authorized the Special Committee to direct management of Melior to cooperate with the Special Committee and its professional advisors as the Special Committee may reasonably consider necessary, including through the provision of information concerning the business and affairs of Melior, and to invite officers, directors and employees of Melior and any professional advisors to attend meetings of the Special Committee, for the purposes of providing information to the Special Committee or otherwise assisting the Special Committee in its deliberations. Management of Melior provided full co-operation to the Special Committee, including by attending meetings of the Special Committee when requested by the Special Committee. However, members of Melior management and members of the Melior Board (other than the members of the Special Committee) were not present, and did not participate, in any of the decision-making deliberations of the Special Committee regarding the Arrangement.

On July 19, 2018 George Lloyd (Chair of the Special Committee) met with Peter Turnbull (Chairman of Metallica) to discuss the potential merger including Metallica's Urquart point bauxite project, the Exchange Ratio and the applicable (mutual) break fee.

Between July 25 and September 10, 2018 the Special Committee met regularly, including with representatives of DuMoulin Black LLP, management of Melior, Wildeboer Dellelce LLP and McCullough Robertson, to consider and discuss the proposed Arrangement, including the progress of Melior's due diligence of Metallica and discussions regarding the proposed Arrangement, the engagement of a fairness advisor and to review the draft Arrangement Agreement and to instruct management of Melior in respect thereof. The Chairman of the Special Committee was directly involved in advising and directing Melior management on the negotiation of the Arrangement Agreement.

On July 26, 2018, Melior's counsel provided an initial draft of the Arrangement Agreement. Thereafter Melior, with the oversight of the Special Committee, and Metallica, together with their respective advisors, engaged in an ongoing negotiation process regarding the terms and conditions of the draft Arrangement Agreement. That process continued throughout August and into September. In addition to the draft Arrangement Agreement, counsel to Melior also prepared drafts of the Melior Support Agreements and Metallica support agreements.

During the negotiation of the Arrangement, Melior and Pala negotiated a restructuring of the existing two loan facilities in place with Pala and on July 24, 2018, Melior announced that it had agreed with Pala to restructure the two facilities into one new consolidated loan facility (the "**New Facility**") to increase balance sheet flexibility and reduce the cost of debt for Melior as it progressed toward the commencement of production at the Goondicum Mine. The existing facilities comprised a loan of US\$7.5 million for funding the re-start of the Goondicum ilmenite project and a care and maintenance loan of approximately US\$5.2 million (the "**C&M Loan**") (collectively, the "**Existing Facilities**"). The New Facility, which replaced the Existing Facilities, is for a total aggregate principal amount of US\$13.75 million with a 24 month maturity date and also provided for the cancellation of Pala's equity conversion option (thereby eliminating the equity overhang and dilution effects) and removed the prospect of paying out the Make Whole Amount due to Pala on a change of control. Under the New Facility, US\$1.25 million was added to the amount outstanding under the C&M Loan as consideration for cancelling the equity conversion option at a substantial discount to its actual value. The New Facility closed on August 10, 2018 replacing the Existing Facilities.

On August 14, 2018, the Special Committee met to receive the oral opinion of KPMG that concluded that the Share Consideration to be received by Melior Shareholders is fair, from a financial point of view, to such Melior Shareholders and the presentation of KPMG on the methodologies and analysis underlying the Fairness Opinion. Subsequently, until the execution of the Arrangement Agreement, the Chairman of the Special Committee worked with management of Melior to finalize the Arrangement Agreement.

On August 28, 2018 and September 10, 2018, the Special Committee met with DuMoulin Black LLP to receive an update on the status of, and to review, the draft Arrangement Agreement and, after discussion including the Special Committee's thorough review of, among other things, the terms of the Arrangement and the opportunities and risks associated with the Arrangement, and subject to receipt of the (written) Fairness Opinion, the Special Committee unanimously (i) determined that that the Arrangement is advisable and in the best interests of Melior and the Melior Shareholders and that the Share Consideration is fair, from a financial point of view, to the

Melior Shareholders; (ii) resolved to recommend to the Melior Board that the Melior Board approve the Arrangement Agreement (including the Plan of Arrangement); and (iii) resolved to recommend that the Melior Board recommend that the Melior Shareholders vote for the Arrangement Resolution.

Following the meeting of the Special Committee on August 28, 2018 the Melior Board held a meeting on September 5, 2018 at which Wildeboer Dellelce LLP and KPMG were present, to receive and consider the recommendation of the Special Committee. At the Melior Board meeting, the Special Committee discussed the oral and draft written Fairness Opinion it had received, with input from KPMG, and discussed the Special Committee's views on the proposed transaction and advised the Melior Board of its determinations and recommendations described above. Following further discussion and review of, among other things, the terms of the Arrangement and the reasons for the Arrangement, and subject to receipt of the written Fairness Opinion, the Melior Board approved the entering into of the Arrangement Agreement and unanimously resolved that: (a) the Melior Board accept the recommendation of the Special Committee; (b) the Arrangement is in the best interests of the Corporation; (c) the Arrangement is fair and reasonable to the Shareholders; (d) the Corporation's entry into the Arrangement Agreement and related transaction documents is approved, and (e) the Melior Board recommend that Shareholders vote in favour of the Arrangement Resolution.

On September 11, 2018, based upon and subject to the assumptions, limitations and qualifications set out therein, KPMG delivered the signed Fairness Opinion and upon receipt of same and the draft minutes from the September 10, 2018 Special Committee meeting, the Melior Board reconfirmed by written resolution dated September 11, 2018 that: (a) the Melior Board accept the recommendation of the Special Committee; (b) the Arrangement is in the best interests of the Corporation; (c) the Arrangement is fair and reasonable to the Shareholders; (d) the Corporation's entry into the Arrangement Agreement and related transaction documents is approved, and (e) the Melior Board recommend that Shareholders vote in favour of the Arrangement Resolution.

Following the meeting of the Melior Board, Melior and Metallica entered into the Arrangement Agreement dated September 12, 2018 (Brisbane, Australia time) and Melior issued a news release with respect to the foregoing on the morning of September 12, 2018 (Toronto time).

Also on September 12, 2018, Metallica, Melior and the Melior Support Parties entered into the Melior Support Agreements and the Melior Voting Intention Agreement and the Metallica Support Parties entered into the Metallica Voting Intention Agreements with Metallica.

Recommendation of the Melior Board

After thorough review and analysis, the Melior Board, has adopted the recommendation of the Special Committee and has unanimously determined that the Arrangement is in the best interests of Melior and that the Arrangement is fair, from a financial point of view, to the Melior Shareholders. Accordingly, THE MELIOR BOARD HAS UNANIMOUSLY APPROVED THE TERMS OF THE ARRANGEMENT AND RECOMMENDS THAT YOU VOTE FOR THE ARRANGEMENT AT THE MELIOR MEETING FOR THE REASONS SET FORTH HEREIN.

In arriving at its conclusion, the Melior Board considered the following, among other matters:

- (a) information with respect to the financial condition, business and operations, on both a historical and prospective basis, of both Metallica and Melior;
- (b) the terms of the Arrangement will result in holders of Melior Shares continuing to own an interest in all of the assets currently held by Melior and will gain an interest in the assets currently held by Metallica, through each Shareholder's respective ownership of Metallica Shares;
- (c) the Melior Support Parties and Takota have indicated their support of the Arrangement and have entered into the Melior Support Agreements and the Melior Voting Intention Agreement, respectively, pursuant to which, among other things, they have agreed to vote their Melior Shares **FOR** the Arrangement Resolution;

- (d) information provided by Metallica with respect to its mineral properties, all of which are also located in Queensland, Australia, cash balance and receivables and liquid securities and its ASX listing;
- (e) current industry, economic and market conditions and trends;
- (f) the procedures by which the Arrangement is to be approved, including the requirement for approval by special resolution of the Melior Shareholders and Minority Approval at the Melior Meeting and by the Court after a hearing at which fairness will be considered;
- (g) the availability of rights of dissent to Melior Shareholders with respect to the Arrangement;
- (h) the Fairness Opinion;
- (i) the terms and conditions of the Arrangement Agreement do not prevent an unsolicited third party from making a proposal or preclude the Melior Board from considering and acting on such a proposal, provided Melior complies with the terms of the Arrangement Agreement (including payment of the Melior Break Fee in certain circumstances);
- (j) the reasons for the Arrangement set forth under “*Reasons for the Arrangement*” herein;
- (k) the recommendation of the Special Committee; and
- (l) the fact that at the time of the announcement of the Arrangement, based on Melior’s closing share price on September 11, 2018, the Exchange Ratio represents consideration of A\$0.0449 per Metallica share which is a premium of 45% to Metallica’s closing price on September 11, 2018. Based on the respective three month volume weighted average prices of Metallica and Melior, as at September 11, 2018, the consideration represents a premium of 23%.

The Melior Board also identified and considered disadvantages associated with the Arrangement, including that the Melior Shareholders, after the Arrangement, will be subject to:

- (a) dilution of their interest in Melior’s assets, through their diluted percentage holding in Metallica;
- (b) the risk factors applicable to Metallica; and
- (c) the possibility that there may be adverse tax consequences to certain holders of Melior Shares. See “*Certain Canadian Federal Income Tax Considerations*”.

The foregoing summary of the information and factors considered by the Melior Board is not intended to be exhaustive. In view of the variety of factors considered in connection with its evaluation of the Arrangement, the Melior Board did not find it practicable to quantify or otherwise assign relative weights to the specific factors in reaching its determination as to the fairness of the Arrangement. The Melior Board’s recommendation was made after considering all of the above-noted factors and in light of the Melior Board’s knowledge of the business, financial condition and prospects of Melior and Metallica, and was also based on the advice of external legal and financial advisors engaged by Melior. In addition, individual members of the Melior Board may have assigned different weights to different factors.

Reasons for the Arrangement

The Melior Board has reviewed and considered an amount of information, as outlined above at “*Recommendations of the Board of Directors*” and considered a number of factors relating to the Arrangement with the benefit of advice from Melior’s senior management and its financial and legal advisors. The following is a summary of the principal reasons for the recommendation of the Melior Board that Melior Shareholders vote **FOR** the Arrangement Resolution:

- (a) *Low Risk Strengthening of Melior Balance Sheet.* The merger with Metallica will significantly de-risk Melior in the short term and provide a significantly strengthened balance sheet through access to Metallica's cash balance, which will facilitate the prioritized restart of the Goondicum Mine later in 2018 and reduces the costs, risks and unfavourable terms associated with obtaining alternative financing.
- (b) *Control of the Combined Company.* On completion of the merger, Melior Shareholders will hold 64% of Metallica's issued share capital and have three of the six directors on the Metallica Board. Pursuant to the Arrangement Agreement, Metallica and Melior have agreed that George Lloyd will be appointed Chairman of the Metallica Board as of the Effective Time. The Chairman holds a deciding Metallica Board vote under Metallica's constitution.
- (c) *The all share Arrangement delivers the ability to unlock value in Metallica going forward, which includes participation in Metallica's pipeline of mineral development assets in relative proximity to Melior's Goondicum Mine.* Melior Shareholders, through their ownership of Metallica Shares, will participate in the expected value creation associated with development of Metallica's Cape York Heavy Minerals Sands and Bauxite Project JV (50%), Cape Flattery Silica Sands Project (100%) and Esmeralda Graphite Project (100%). In addition, cash generated from the Goondicum Mine will assist the prospects of value creation with respect to such Metallica assets. Melior Shareholders are expected to hold approximately 64% of the issued and outstanding Metallica Shares (on an undiluted basis) upon completion of the Arrangement.
- (d) *Ability to Benefit from Metallica's Experienced Management Team.* Metallica has an experienced management team and the value-focused culture and combined technical and commercial skills of the two companies is expected to greatly enhance the merged group's capabilities.
- (e) *Enhanced Capital Market Profile and ASX Listing.* Metallica is expected to benefit from an enhanced capital market profile with an increased market capitalization, which is expected to lead to increased trading liquidity and analyst coverage, as well as the ability to raise future financing on more favourable terms. An ASX listing also better reflects the location of Melior's assets.
- (f) *Favourable Geopolitical Risk Profile and Synergies.* Metallica's mineral assets are located in a safe and mining friendly jurisdiction, Queensland, Australia, in relative proximity to Melior's Goondicum Mine, which is also expected to lead to cost synergies.
- (g) *Unanimous Approval.* The proposed Arrangement has received unanimous approval of both the Melior Board and the Metallica Board
- (h) *Fairness Opinion.* KPMG provided its opinion that, as at September 11, 2018, subject to the assumptions, limitations and qualifications set out therein, the Share Consideration to be received by Melior Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Melior Shareholders.
- (i) *Approval of Shareholders and the Court are Required.* The following required approvals protect the rights of Melior Shareholders: the Arrangement must be approved by a majority of at least two-thirds of the votes cast in respect of the Arrangement Resolution by Melior Shareholders, present in person or represented by proxy at the Melior Meeting, and by a majority of at least 50% plus one vote of the votes cast at the Melior Meeting by the Minority Shareholders, present in person or represented by proxy, and the Arrangement must also be sanctioned by the Court, which will consider the fairness of the Arrangement to Melior Shareholders.
- (j) *Superior Proposals.* The Arrangement Agreement allows the Melior Board, in the exercise of its fiduciary duties, to respond to certain unsolicited Acquisition Proposals, which may be superior to the Arrangement. The Melior Board received advice from its financial and legal advisors that the deal protection terms including the Melior Break Fee, and circumstances for payment of the Melior Break

Fee, as applicable, are within the ranges typical in the market for similar transactions and are not a significant deterrent to potential Superior Proposals.

- (k) *Dissent Rights.* Registered Shareholders who oppose the Arrangement may, upon compliance with certain conditions, exercise their Dissent Rights and receive the fair value of the Dissent Shares.
- (l) *Court Approval.* The Arrangement must be approved by the Court, and the Arrangement will only become effective if, after hearing from all interested persons who choose to appear before it, the Court determines that the terms and conditions of the Arrangement are fair and reasonable.
- (m) *Support Agreements and Melior Voting Intention Agreement.* Melior Shareholders holding in aggregate approximately 79% of the issued and outstanding Melior Shares have entered into the Melior Support Agreements and the Melior Voting Intention Agreement pursuant to which they agreed to vote for or expressed their intention to vote for the Arrangement, respectively.

Fairness Opinion

The Special Committee retained KPMG, which has provided advice and an opinion to the Special Committee and the Melior Board in respect of the fairness of the terms of the Arrangement, from a financial point of view, to the Melior Shareholders.

On August 14, 2018, KPMG delivered an oral opinion, which was subsequently confirmed by delivery of the written Fairness Opinion, which concluded that, as of September 11, 2018, based upon and subject to the assumptions, limitations and qualifications set out therein, the Share Consideration to be received by Melior Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Melior Shareholders.

The Fairness Opinion, which sets forth the assumptions made, matters considered and limitations on the review undertaken in connection with the opinion is attached to this Circular as Appendix “D”. Melior Shareholders are encouraged to and should read the Fairness Opinion in its entirety.

Neither KPMG nor any of its affiliates is an insider, associate or affiliate (as such terms are defined in the *Securities Act* (British Columbia)) of Melior or Metallica or any of their respective associates or affiliates. KPMG was paid a fixed fee upon delivery of the Fairness Opinion to the Special Committee, which was not contingent upon KPMG’s findings or completion of the Arrangement.

KPMG has consented to the inclusion in this Circular of the Fairness Opinion, together with the summary thereof herein and other information relating to the Fairness Opinion. The Fairness Opinion was provided to the Special Committee and to the Board for their exclusive use only in considering the Arrangement and may not be relied upon by any other person or for any other purpose or published or disclosed to any other person, relied upon by any other person or used for any other purpose without KPMG’s written consent.

The Fairness Opinion addresses only the fairness of the Share Consideration due under the Arrangement from a financial point of view and is not and should not be construed as a valuation of Melior or Metallica or any of their respective assets or securities or a recommendation to any Shareholder as to whether to vote FOR the Arrangement Resolution.

Considerations of Financial Advisors

In connection with rendering the Fairness Opinion, KPMG, among other things, (i) reviewed and analyzed a draft of the Arrangement Agreement dated September 6, 2018, the terms of the Arrangement and related publicly available documents; (ii) reviewed and analyzed certain publicly available financial statements and other information of Metallica and Melior; (iii) performed a comparison of the multiples implied under the terms of the Arrangement to an analysis of recent precedent transactions; and (iv) performed a comparison of the consideration payable under the terms of the Arrangement to the recent trading levels of the Metallica Shares and the Melior Shares.

KPMG has assumed and relied upon, without independent verification, the completeness, accuracy and fair presentation of all of the information (financial or otherwise) data, documents, opinions, appraisals, valuations or other information and materials of whatsoever nature or kind reviewed by KPMG and all information respecting the Arrangement, Metallica, Melior and their respective subsidiaries, if any, obtained from public sources and from senior management of Metallica and Melior.

Approval of the Arrangement Resolution

At the Melior Meeting, the Melior Shareholders will be asked to approve the Arrangement Resolution, the full text of which is set out in Appendix “A” to this Circular. In order for the Arrangement to become effective, as provided in the Interim Order and by the BCBCA, the Arrangement Resolution must be approved by a majority of at least two-thirds of the votes cast on the Arrangement Resolution by the Melior Shareholders, present in person or represented by proxy, at the Melior Meeting. Additionally, pursuant to MI 61-101, the Arrangement Resolution must be passed by at least a majority of 50% plus one vote of the votes cast by the Minority Shareholders present in person or represented by proxy at the Melior Meeting.

Should Melior Shareholders fail to approve the Arrangement Resolution by the requisite majorities, the Arrangement will not be completed.

The Board has approved the terms of the Arrangement Agreement and the Plan of Arrangement and recommends that the Melior Shareholders vote FOR the Arrangement Resolution. See “*The Arrangement — Recommendation of the Melior Board*” above.

Notwithstanding the foregoing, the Arrangement Resolution authorizes the Board, without further notice to or approval of the Melior Shareholders, subject to the terms of the Arrangement, to amend the Arrangement Agreement or to decide not to proceed with the Arrangement and to revoke the Arrangement Resolution at any time prior to the Arrangement becoming effective pursuant to the provisions of the BCBCA.

Support Agreements and Melior Voting Intention Agreement

In aggregate, the Melior Support Parties and Takota hold 22,796,219 Melior Shares as of the Record Date, representing approximately 78.7% of the issued and outstanding Melior Shares as of such date.

On September 12, 2018, Metallica and Melior entered into the Melior Support Agreements with the Melior Support Parties. The Melior Support Agreements set forth, among other things, the agreement of the Melior Support Parties who entered into such agreements to vote their Melior Shares for the Arrangement Resolution. As of the Record Date, the Melior Support Parties held 19,211,164 Melior Shares, representing approximately 66.3% of the issued Melior Shares on such date, and 3,996,250 Melior Warrants.

The Melior Support Agreements require voting support and reasonable cooperation with Metallica and Melior to complete the Arrangement and prohibit: (i) solicitation of an alternative Acquisition Proposal, (ii) the sale, transfer, assignment, pledge or other form of disposition of Melior Securities held by the Melior Support Parties, (iii) the deposit of Melior Securities held by the Melior Support Parties into any voting arrangement, other than pursuant to the Melior Support Agreement, (iv) the taking of any action reasonably likely to reduce the success of, or delay or interfere with the completion of the Arrangement, and (v) the exercise of Dissent Rights, expiring upon completion of the Arrangement, or upon earlier termination of the Melior Support Agreements.

Each Melior Support Party has agreed to vote its owned (directly or indirectly) Melior Shares, to the extent it is so entitled, FOR the Arrangement Resolution and against any other matter that could reasonably be expected to delay, prevent or frustrate the completion of the Arrangement.

The Melior Support Agreements terminate upon: (i) Metallica or a Melior Support Party’s election following a breach of the other party’s covenant or if a representation or warranty of the other party is untrue or incorrect in any material respect; (ii) by the Melior Support Party in the event the Arrangement Agreement is amended to provide for lesser consideration per Melior Share under the Arrangement, (iii) automatically on

December 31, 2018 or such other date as Metallica, Melior and the Melior Support Party may agree, (iv) the acquisition by Metallica of the Melior Securities held by the Melior Support Party; (v) the date of termination of the Arrangement Agreement in accordance with the terms thereof; or (vi) by written instrument executed by each of Metallica, Melior and the Melior Support Party.

On September 5, 2018, Melior entered into the Melior Voting Intention Agreement with Takota. The Melior Voting Intention Agreement set forth, among other things, the intention of Takota to vote the Melior Shares which it controls as of the Record Date for the Arrangement Resolution subject only to Melior announcing that it has agreed to proceed with the Arrangement and in the absence of a Superior Proposal. As of the Record Date, Takota held 3,585,055 Melior Shares, representing approximately 12.4% of the issued Melior Shares on such date.

Completion of the Arrangement

The Arrangement will become effective at 12:01 a.m. on the date upon which the filings required under the BCBCA have been filed with the Registrar. Completion of the Arrangement is expected to occur on or about December 13, 2018; however, it is possible that completion may be delayed beyond this date if the conditions to completion of the Arrangement cannot be met on a timely basis, but in no event shall completion of the Arrangement occur later than the Completion Deadline.

Effect of the Arrangement on Shareholders' Rights

Melior Shareholders receiving Metallica Shares under the Arrangement will become shareholders of Metallica. Metallica is a company governed by the ACA.

The Metallica Shares to be received by Melior Shareholders pursuant to the Arrangement are subject to different rights and obligations under the ACA than under the BCBCA. Melior Shareholders are encouraged to consult with their legal advisors for greater detail with respect to these differences.

A summary of the principal differences between the ACA and the BCBCA, along with a description of certain securities laws and stock exchange rules, as applicable, is attached hereto as Appendix "J". The comparisons set forth in Appendix "J" are not an exhaustive statement of all relevant laws, rules and regulations and is intended as a general summary only.

Court Approval of the Arrangement

The Arrangement is subject to Court approval under the BCBCA.

Interim Order

On October 22, 2018, Melior obtained the Interim Order providing for the calling and holding of the Melior Meeting, the Dissent Rights and certain other procedural matters. The text of the Interim Order is set out in Appendix "C" to this Circular.

Final Order

Subject to the terms of the Arrangement Agreement and, if the Arrangement Resolution is approved at the Melior Meeting, Melior intends to make an application to the Court for the Final Order.

Melior intends to apply to the Court for the Final Order at 800 Smithe Street, Vancouver, British Columbia at 9:45 a.m. (Vancouver time), or so soon thereafter as counsel may be heard, at the Court House, 800 Smithe Street, Vancouver, British Columbia on December 10, 2018 or any other date and time as the Court may direct. Any security holder or creditor of Melior has the right to appear, be heard and present evidence or arguments, provided that such security holder or creditor files and serves a response to petition no later than 4:30 p.m. (Vancouver time) on November 27, 2018 along with any other documents required, all as set out in the Interim Order and Notice of Petition, copies of which are attached Appendix "C" and Appendix "E" to this Circular, respectively, and satisfy any

other requirements of the Court. Such persons should consult with their legal advisors as to the necessary requirements. In the event that the hearing is adjourned, then, subject to further order of the Court, only those persons having previously filed and served a response to petition will be given notice of the adjournment.

The Court has broad discretion under the BCBCA when making orders with respect to the Arrangement. The Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, on the terms presented or substantially on those terms. Depending upon the nature of any required amendments, Melior or Metallica may determine not to proceed with the Arrangement.

The Metallica Shares, Metallica Replacement Options and Metallica Replacement Warrants to be issued to Melior Securityholders in exchange for the Melior Securities pursuant to the Arrangement have not been and will not be registered under the 1933 Act or the securities laws of any state of the United States and will be issued and exchanged in reliance upon the Section 3(a)(10) and exemptions provided under the securities laws of each state of the United States in which Melior Securityholders reside. The Section 3(a)(10)Exemption exempts the issuance of any securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction that is expressly authorized by law to grant such approval, after a hearing upon the fairness of the terms and conditions of such issuance and exchange at which all persons to whom it is proposed to issue the securities have the right to appear and receive timely and adequate notice thereof. The Court will be advised prior to the hearing of the application for the Final Order that if the terms and conditions of the Arrangement, and the fairness thereof, are approved by the Court, the Metallica Shares, Metallica Replacement Options and Metallica Replacement Warrants to be issued to Melior Securityholders pursuant to the Arrangement will not require registration under the 1933 Act. Accordingly, the Final Order of the Court will, if granted after the Court considers the substantive and procedural fairness of the Arrangement to Melior Securityholders, constitute a basis for the exemption from the registration requirements of the 1933 Act with respect to the issuance and exchange of the Metallica Shares, Metallica Replacement Options and Metallica Warrants for the Melior Securities pursuant to the Arrangement. See “*The Arrangement – Regulatory Law Matters and Securities Law Matters – United States Securities Law Matters*” below.

The Final Order is not effective until filed with the Registrar, and the Final Order will only be filed when all other conditions to closing have been met.

Regulatory, Stock Exchange and Securities Law Matters

Stock Exchange Approvals

Metallica Shares are listed on the ASX and it will, prior to the Effective Time, seek conditional approval from the ASX to list the Metallica Shares comprising the Share Consideration on the ASX. Listing will be subject to Metallica fulfilling the requirements of the ASX. In accordance with usual practice in Australia, Metallica will not apply for quotation of the Metallica Replacement Warrants or Metallica Replacement Options. However, Metallica will apply for quotation on the ASX of the Metallica Shares issued upon the exercise of the Metallica Replacement Options or exercise of the Metallica Replacement Warrants. It is a condition of the Arrangement that the ASX shall have conditionally approved the listing thereon, subject to official notice of issuance, of the Metallica Shares to be issued in exchange for Melior Shares pursuant to the Arrangement and the terms and issue of the Metallica Replacement Options and the Metallica Replacement Warrants, as of the Effective Date, or as soon as possible thereafter.

Metallica has sought and obtained confirmation from the ASX that Chapter 11 of the ASX Listing Rules, which relates to significant transactions which result in a significant change to the nature or scale of an ASX listed entities activities, does not apply to the Arrangement in a manner that would require Metallica to reapply for listing on ASX under Chapters 1 and 2 of the ASX Listing Rules. However, Metallica will seek approval of its shareholders (by way of the Metallica Arrangement Resolution) in connection with the Arrangement in accordance with the requirements of the ASX Listing Rules and ACA. The approval of the Metallica Arrangement Resolution is a condition to the Arrangement coming into effect on the Effective Date.

Melior has made application to the TSX-V for the approval of the Arrangement and the corresponding delisting of the Melior Shares from the TSX-V upon completion of the Arrangement.

Regulatory Matters

Other than the Final Order, the approval of the TSX-V and the final approval of the ASX, Melior is not aware of any material approval, consent or other action by any federal, provincial, state or foreign government or any administrative or regulatory agency that would be required to be obtained in order to complete the Arrangement. In the event that any such approvals or consents are determined to be required, such approvals or consents will be sought. Any such additional requirements could delay the Effective Date or prevent the completion of the Arrangement. While there can be no assurance that any regulatory consents or approvals that are determined to be required will be obtained, Melior currently anticipates that any such consents and approvals that are determined to be required will have been obtained or otherwise resolved by the Effective Date. Subject to receipt of the approval of the Melior Shareholders at the Melior Meeting, receipt of the approval of Metallica Shareholders in respect of the Metallica Arrangement Resolution at the Metallica Meeting, receipt of the Final Order and the satisfaction or waiver of all other conditions specified in the Arrangement Agreement, the Effective Date is expected to be on or about December 13, 2018.

Canadian Securities Law Matters

Each Melior Shareholder is urged to consult such Melior Shareholder's professional advisors to determine the Canadian conditions and restrictions applicable to trades in the Metallica Shares.

Status under Canadian Securities Laws

Melior is a reporting issuer in British Columbia, Alberta, Manitoba and Ontario. The Melior Shares currently trade on the TSX-V. After the Arrangement, Melior will be a wholly-owned subsidiary of Metallica, the Melior Shares will be delisted from the TSX-V (delisting is anticipated to be effective two or three Business Days following the Effective Date) and Metallica expects to apply to the applicable Canadian securities regulators to have Melior cease to be a reporting issuer. As a result of the Arrangement however, Metallica will become a reporting issuer in British Columbia, Alberta, Manitoba and Ontario, however, it will be a "designated foreign issuer" within the meaning of NI 71-102, provided 10% or fewer of the Metallica Shares, on a fully-diluted basis, are owned, directly or indirectly, by holders resident in Canada. In the event Metallica Shareholders resident in Canada own, directly or indirectly, greater than 10% of the Metallica Shares, on a fully-diluted basis, Metallica intends to apply to the Ontario Securities Commission (which, if the Arrangement is completed, will be Metallica's principal regulator under the procedures described under MI 11-102) for exemptive relief so that Metallica is permitted to report as a "designated foreign issuer" under NI 71-102. As a "designated foreign issuer", Metallica will be exempt from most of the continuous disclosure requirements of Canadian securities legislation, as well as certain other requirements including insider reporting and early warning reporting, provided Metallica complies with the continuous disclosure requirements of Australia. Melior Shareholders should be aware that, generally, reporting issuers in Australia are not required to prepare and file quarterly financials or quarterly and annual MD&As. Rather, such issuers only prepare an annual and semi-annual report. However, certain mining production and mining exploration entities are required by the ASX Listing Rules to prepare and file a quarterly activities report and quarterly cashflow report. These requirements currently apply to Metallica but may not apply in the future depending on Metallica's activities and circumstances. As such, if Metallica, following the completion of the Arrangement, is permitted to report in Canada as a "designated foreign issuer", Metallica Shareholders including those Melior Shareholders who have received Metallica Shares pursuant to the Arrangement will not receive financial reports prepared by Metallica on a quarterly basis and may not, should Metallica's circumstances change, receive a quarterly activities report or quarterly cashflow report. Metallica believes that, given where the company sits in the developments cycle, Metallica Shareholders will not be materially prejudiced by receiving only an annual and semi-annual financial report. Further, Metallica has received indication from holders representing approximately 66.3% of the issued and outstanding Melior Shares as of the Record Date that such shareholders see the benefit of management of Metallica being able to focus only on the reporting requirements of Australia and thus have expressed strong support of the exemptive relief application.

While the Metallica Shares will be listed on the ASX, the Metallica Shares are not expected to be listed on any stock exchange in Canada.

Distribution and Resale of Metallica Shares under Canadian Securities Laws

The issuance and distribution of the Metallica Shares pursuant to the Arrangement will constitute a distribution of securities that is exempt from the prospectus requirements of Canadian securities legislation and is exempt from or otherwise is not subject to the registration requirements under applicable securities legislation. The Metallica Shares issuable pursuant to the Arrangement, including any Metallica Shares issuable upon exercise of the Metallica Replacement Options and the Metallica Replacement Warrants, will not be legended and may be resold through registered dealers in each of the provinces of Canada provided that (i) the trade is not a “control distribution” as defined in National Instrument 45-102 “Resale of Securities” of the Canadian Securities Administrators, (ii) no unusual effort is made to prepare the market or to create a demand for the Metallica Shares, (iii) no extraordinary commission or consideration is paid to a person in respect of such sale, and (iv) if the selling security holder is an insider or officer of Metallica, the selling security holder has no reasonable grounds to believe that Metallica is in default of applicable Canadian securities laws.

Melior Shareholders, including Melior Shareholders residing elsewhere than in Canada, are urged to consult their legal advisors to determine the extent of all applicable resale provisions.

Multilateral Instrument 61-101

MI 61-101 is intended to regulate certain transactions to ensure the protection and fair treatment of minority securityholders. The Arrangement is a Business Combination for the purposes of MI 61-101 as a result of the Lender, a related party of Melior by virtue of the Lender holding in excess of 10% of the issued and outstanding Melior Shares on a partially diluted basis, being party to a “connected transaction”, as defined in MI 61-101, such transaction being the negotiation and execution of the Lender Agreement with Melior on August 9, 2018, which was negotiated at approximately the same time as the Arrangement Agreement and both transactions had at least one party in common.

Pursuant to MI 61-101, if a transaction is a Business Combination, a formal valuation and Minority Approval of the Arrangement may be required.

Where an issuer is listed or quoted on the TSX-V and no other stock exchange outside of Canada and the United States, MI 61-101 provides an exemption to the general requirement to obtain a valuation for a transaction that is a Business Combination.

No prior valuations of Melior and no bona fide prior offer to acquire outstanding Melior Shares have been made or received by Melior in the last 24 months, to the knowledge of Melior, the Melior Board or its management.

MI 61-101 requires that Melior obtain Minority Approval for the Arrangement from holders of every class of affected securities, in each case voting separately as a class. The only outstanding classes of affected securities of Melior are the Melior Shares. As a result, at the Melior Meeting, Melior shall seek the approval of the Arrangement Resolution from a majority of the votes cast by the Minority Shareholders, present in person or by proxy at the Melior Meeting.

Minority Approval

Pursuant to MI 61-101, in determining whether minority approval for the Arrangement has been obtained, Melior is required to exclude the votes attached to the Melior Shares beneficially owned or controlled by (a) Melior, if any, (b) an Interested Party (c) a related party of an Interested Party or (d) a joint actor with a person referred to in (b) or (c) above. Persons who receive a Collateral Benefit or are parties to a “connected transaction”, as each term defined in MI 61-101, may be an Interested Party. This approval is in addition to the requirement that the Arrangement Resolution must be approved by not less than 66 2/3% of the votes cast by the Melior Shareholders that vote in person or by proxy at the Melior Meeting.

The Lender is an Interested Party and exercises control or direction of 13,210,736 Melior Shares, representing 45.6% of the outstanding Melior Shares and holds Melior Warrants, which would entitle the Lender to acquire a further 3,341,250 Melior Shares if fully converted. Martyn Buttenshaw is a related party to the Lender and exercises control or direction of 41,666 Melior Shares and 83,334 Melior Options which would entitle Mr. Buttenshaw to acquire a further 83,334 Melior Shares if exercised.

The votes attaching to Melior Shares beneficially owned, or over which control or direction is exercised, by the Lender and Mr. Buttenshaw will be excluded in determining whether Minority Approval of the Arrangement Resolution has been obtained.

As a result, Melior has determined that the votes attached to an aggregate of 13,252,402 Melior Shares, held directly and indirectly, by the Lender and Mr. Buttenshaw must be excluded from voting on the Arrangement Resolution to be approved by the Minority Shareholders voting in person or by proxy at the Melior Meeting. The Excluded Persons may still vote on the Arrangement Resolution for the purpose of obtaining the 66 2/3% approval as required by the BCBCA.

Australian Securities Law Matters

The Metallica Shares to be issued pursuant to the Arrangement (including those to be issued on exchange of the Melior Shares, exercise of the Metallica Replacement Options and exercise of the Metallica Replacement Warrants) may not be resold in Australia to a retail investor within 12 months of the date of issue of the relevant shares unless Metallica issues a disclosure document such as a prospectus, complies with relevant class order relief, obtains a specific release from ASIC or unless the ACA provides otherwise.

The issue of the Metallica Shares (including those to be issued on exchange of the Melior Shares, exercise of the Metallica Replacement Options or exercise of the Metallica Replacement Warrants) is not being undertaken by Metallica with the purpose of the holder selling or transferring their Metallica Shares, however, Metallica considers that the Melior security holders who receive Metallica Shares (including those to be issued on exchange of the Melior Shares, exercise of the Metallica Replacement Options or exercise of the Metallica Replacement Warrants) should be able to sell their Metallica Shares should they wish to do so.

Accordingly, in order to ensure that all Metallica Shares to be issued pursuant to the Arrangement (including those to be issued on exchange of the Melior Shares, exercise of the Metallica Replacement Warrants, and exercise of the Metallica Replacement Options) will be freely tradeable and not subject to any re-sale restrictions within Australia, Metallica will be required to either: (a) issue a notice in accordance with section 708A of the ACA on each occasion that any such Metallica Shares are issued; or (b) prepare and lodge a prospectus on each occasion that any such Metallica Shares are issued.

This process outlined above will ensure that the Metallica Shares are freely tradeable.

United States Securities Law Matters

The following discussion is a general overview of certain requirements of U.S. federal securities laws that may be applicable to Melior Shareholders. All Melior Shareholders are urged to consult with their own legal counsel to ensure that any subsequent resale of Metallica Shares to be received in exchange for their Melior Shares pursuant to the Arrangement complies with applicable securities legislation.

Further information applicable to U.S. Shareholders is disclosed under the heading “Notice to U.S. Shareholders”.

The following discussion does not address the Canadian securities laws that will apply to the issue of Metallica Securities or the resale of these securities within Canada by Melior Securityholders. Melior Securityholders reselling their Metallica Securities in Canada must comply with Canadian securities laws, as outlined elsewhere in this Circular.

Exemption from the Registration Requirements of the 1933 Act

The Metallica Shares, Metallica Replacement Options and Metallica Replacement Warrants to be issued to Melior Securityholders in exchange for the Melior Securities pursuant to the Arrangement have not been and will not be registered under the 1933 Act or applicable state securities laws, and are being issued and exchanged in reliance on the Section 3(a)(10) Exemption and exemptions provided under the securities laws of each state of the United States in which Melior Securityholders reside. The Section 3(a)(10) Exemption exempts the issuance of any securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction that is expressly authorized by law to grant such approval, after a hearing upon the fairness of the terms and conditions of such issuance and exchange at which all persons to whom it is proposed to issue the securities have the right to appear and receive timely and adequate notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. Accordingly, the Final Order will, if granted after the Court considers the substantive and procedural fairness of the Arrangement to Melior Securityholders, constitute a basis for the exemption from the registration requirements of the 1933 Act provided by Section 3(a)(10) thereof with respect to the Metallica Securities to be issued to Melior Securityholders in exchange for the Melior Securities pursuant to the Arrangement.

Resales of Metallica Shares After the Effective Date

The manner in which a Melior Shareholder may resell Metallica Shares issued to such Melior Shareholder at the Effective Time will depend on whether such Melior Shareholder is an “affiliate” of Metallica after the Effective Date or was an affiliate of Metallica within 90 days prior to the Effective Date. As defined in Rule 144, an “affiliate” of an issuer is a person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the issuer. Typically, persons who are executive officers, directors or principal shareholders of an issuer are considered to be its “affiliates”. The United States federal resale rules applicable to Melior Shareholders are summarized below.

Non-Affiliates Before and After the Effective Time

Melior Shareholders who are not affiliates of Metallica within 90 days before the Effective Date and who will not be affiliates of Metallica after the Effective Date may resell the Metallica Shares issued to them at the Effective Time without restriction under the 1933 Act.

Resales by Affiliates Pursuant to Rule 144

In general, pursuant to Rule 144, persons who are “affiliates” of Metallica after the Effective Date, or were “affiliates” of Metallica within 90 days prior to the Effective Date, will be entitled to sell those Metallica Shares that they receive pursuant to the Arrangement, provided that, during any three-month period, the number of such securities sold does not exceed the greater of one percent of the then-outstanding securities of such class or, if such securities are listed on a United States securities exchange and/or reported through the automated quotation system of a U.S. registered securities association, the average weekly trading volume of such securities during the four calendar week period preceding the date of sale, subject to specified restrictions on manner of sale requirements, aggregation rules, notice filing requirements and the availability of current public information about Metallica.

Resales by Affiliates Pursuant to Regulation S

In general, pursuant to Regulation S, persons who are “affiliates” of Metallica after the Effective Date, or were “affiliates” of Metallica within 90 days prior to the Effective Date, solely by virtue of their status as an officer or director of Metallica may sell their Metallica Shares outside the United States in an “offshore transaction” if none of the seller, an affiliate or any person acting on their behalf engages in “directed selling efforts” in the United States with respect to such securities and provided that no selling concession, fee or other remuneration is paid in connection with such sale other than the usual and customary broker’s commission that would be received by a person executing such transaction as agent. For purposes of Regulation S, “directed selling efforts” means any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the

market in the United States for any of the securities being offered. Also, for purposes of Regulation S, an offer or sale of securities is made in an “offshore transaction” if the offer is not made to a person in the United States and either (a) at the time the buy order is originated, the buyer is outside the United States, or the seller reasonably believes that the buyer is outside of the United States, or (b) the transaction is executed in, on or through the facilities of a “designated offshore securities market” (which would include a sale through the TSX-V or ASX, as applicable), and neither the seller nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States. Certain additional restrictions set forth in Rule 903 of Regulation S are applicable to sales outside the United States by a holder of Shares who is an “affiliate” of Metallica after the Effective Date, or was an “affiliate” of Metallica within 90 days prior to the Effective Date, other than by virtue of his or her status as an officer or director of Metallica.

Exercise and Resale of Metallica Replacement Options and Metallica Replacement Warrants

The Section 3(a)(10) Exemption does not exempt the issuance of securities upon the exercise of securities that were previously issued pursuant to the Section 3(a)(10) Exemption. Therefore, the Metallica Shares issuable upon exercise of the Metallica Replacement Options or Metallica Replacement Warrants may not be issued in reliance upon the Section 3(a)(10) Exemption and the Metallica Replacement Options and Metallica Replacement Warrants may only be exercised pursuant to an available exemption from the registration requirements of the 1933 Act and applicable state securities laws. Prior to the issuance of Metallica Shares pursuant to any such exercise after the Effective Time, Metallica may require evidence (which may include in an opinion of counsel) reasonably satisfactory to Metallica to the effect that the issuance of such Metallica Shares do not require registration under the 1933 Act or applicable state securities laws.

Metallica Shares received upon exercise of the Metallica Replacement Options and Metallica Replacement Warrants after the Effective Time by holders in the United States or who are U.S. Persons will be “restricted securities”, as such term is defined in Rule 144(a)(3), and may not be resold unless such securities are registered under the 1933 Act and all applicable state securities laws or unless an exemption from such registration requirements is available. Subject to certain limitations, any Metallica Shares issuable upon the exercise of the Metallica Replacement Options and Metallica Replacement Warrants, may be resold outside the United States without registration under the 1933 Act pursuant to Regulation S in an “offshore transaction” (as such term is defined in Regulation S) over the TSX-V or ASX, applicable.

The foregoing discussion is only a general overview of certain requirements of United States federal securities laws applicable to the resale of Metallica Shares issuable pursuant to the Arrangement, and the exercise of Melior Replacement Options or Melior Replacement Warrants issuable or otherwise remaining outstanding pursuant to the Arrangement. All holders of such securities are urged to consult with counsel to ensure that the resale of their securities complies with applicable securities legislation.

NONE OF THE METALLICA SECURITIES TO WHICH MELIOR SECURITHOLDERS WILL BE ENTITLED PURSUANT TO THE ARRANGEMENT HAVE BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES PASSED ON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

RISKS FACTORS

In evaluating the Arrangement, Melior Shareholders should carefully consider the following risk factors relating to the Arrangement. The following risk factors are not a definitive list of all risk factors associated with the Arrangement. Additional risks and uncertainties, including those currently unknown or considered immaterial by Melior, may also adversely affect trading price of the Melior Shares, the Metallica Shares and/or the businesses of Melior and Metallica following the Arrangement. In addition to the risk factors relating to the Arrangement set out below, Melior Shareholders should also carefully consider the risk factors associated with the business of Metallica as set out in Appendix “F” – “*Information Concerning Metallica*”. If any of the risk factors materialize, the expectations, and the predictions based on them, may need to be re-evaluated.

Risks Related to the Arrangement

The Arrangement Agreement may be terminated in certain circumstances

Each of Melior and Metallica has the right to terminate the Arrangement Agreement and Arrangement in certain circumstances. Accordingly, there is no certainty, nor can Melior provide any assurance, that the Arrangement Agreement will not be terminated by either Melior or Metallica before the completion of the Arrangement.

There can be no certainty, nor can Melior provide any assurance, that the requisite Melior Shareholder approval of the Arrangement Resolution will be obtained

Since the Arrangement is considered to be a Business Combination, to be effective, the Arrangement Resolution must be approved by a majority of at least 50% plus one vote of the votes cast by Minority Shareholders in person or represented by proxy at the Melior Meeting. This approval is in addition to the requirement that the Arrangement Resolution be approved by a majority of at least two-thirds of the votes cast by Melior Shareholders present in person or represented by proxy at the Melior Meeting. There can be no certainty, nor can Melior provide any assurance, that the requisite Melior Shareholder approval of the Arrangement Resolution will be obtained. If such approval is not obtained and the Arrangement is not completed, the market price of the Melior Shares may decline to the extent that the current market price reflects a market assumption that the Arrangement will be completed. If the Arrangement is not completed and the Melior Board decides to seek another merger or arrangement, there can be no assurance that it will be able to find another suitable merger opportunity.

There can be no certainty that all conditions precedent to the Arrangement will be satisfied

The completion of the Arrangement is subject to a number of conditions precedent, certain of which are outside the control of Melior, including receipt of the Final Order. There can be no certainty, nor can Melior provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If the Arrangement is not completed, the market price of the Melior Shares may decline to the extent that the current market price reflects a market assumption that the Arrangement will be completed. If the Arrangement is not completed and the Melior Board decides to seek another merger or arrangement, there can be no assurance that it will be able to find another suitable merger opportunity.

Melior will incur costs even if the Arrangement is not completed and may have to pay the Melior Break Fee

Certain costs related to the Arrangement, such as legal, accounting and certain financial advisor fees, must be paid by Melior and Metallica even if the Arrangement is not completed. Melior and Metallica are each liable for their own costs incurred in connection with the Arrangement. If the Arrangement is not completed, Melior, in addition to paying its own costs, may also be required to pay Metallica the Melior Break Fee, which could have a Material Adverse Effect on Melior. See “*The Arrangement – The Arrangement Agreement – Termination – Break Fee*”.

Shareholders will receive a fixed number of Metallica Shares

Melior Shareholders will receive a fixed number of Metallica Shares under the Arrangement, rather than Metallica Shares with a fixed market value. Because the number of Metallica Shares to be received in respect of each Melior Share under the Arrangement will not be adjusted to reflect any change in the market value of the Metallica Shares or the Melior Shares, the market value of Metallica Shares received under the Arrangement may vary significantly from the market value at the dates referenced in this Circular. If the market price of the Metallica Shares relative to the market price of Melior Shares increases or decreases, the value of the consideration that Melior Shareholders receive pursuant to the Arrangement will correspondingly increase or decrease. There can be no assurance that the market price of the Metallica Shares relative to the market price of the Melior Shares on the Effective Date will not be lower than the relative market prices of such shares on the date of the Melior Meeting. In addition, the number of Metallica Shares being issued in connection with the Arrangement will not change despite decreases or increases in the market price of Melior Shares. Many of the factors that affect the market price of the

Metallica Shares and the Melior Shares are beyond the control of Metallica and Melior, respectively. These factors include fluctuations in commodity prices, fluctuations in currency exchange rates, changes in the regulatory environment, adverse political developments, prevailing conditions in the capital markets and interest rate fluctuations.

The Metallica Shares will not be listed on a Canadian stock exchange

Metallica will seek to de-list the Melior Shares on the TSX-V following completion of the Arrangement and has no intention to list the Metallica Shares on any recognized Canadian stock exchange.

The application of interim operating covenants may prevent Melior from pursuing business opportunities

Pursuant to the Arrangement Agreement, Melior has agreed to certain interim operating covenants intended to ensure that Melior carries on business in the ordinary course of business consistent with past practice, except as required or expressly authorized by the Arrangement Agreement. These operating covenants cover a broad range of activities and business practices. Consequently, it is possible that a business opportunity will arise that is out of the ordinary course or is not consistent with past practices, and that Melior will not be able to pursue or undertake the opportunity due to its covenants in the Arrangement Agreement.

The market price for the Melior Shares may decline

If the Arrangement is not approved by the Melior Shareholders, the market price of the Melior Shares may decline to the extent that the current market price of the Melior Shares reflects a market assumption that the Arrangement will be completed. If the Arrangement Resolution is not approved and the Melior Board decides to seek another merger or Arrangement, there can be no assurance that it will be able to find a party willing to pay an equivalent or more attractive price than the total consideration to be paid pursuant to the Arrangement.

Melior and Metallica may not integrate successfully

If approved, the Arrangement will involve the integration of companies that previously operated independently. As a result, the Arrangement will present challenges to management, including the integration of the operations, systems and personnel of the two companies, and special risks, including possible unanticipated liabilities, unanticipated costs, diversion of management's attention and the loss of key employees. The difficulties management encounters in the transition and integration process could have an adverse effect on the revenues, level of expenses and operating results of the combined company following the Arrangement. As a result of these factors, it is possible that any benefits expected from the combination will not be realized.

Foreign Investment Risk

Mining investments are subject to the risks normally associated with the conduct of business in foreign countries, including various levels of political and economic risk. The existence or occurrence of one or more of the following circumstances or events could have a material adverse impact on Metallica's profitability or the viability of Metallica's affected foreign operations, which could have a Material Adverse Effect on Metallica's future cash flows, earnings, results of operations and financial condition. These risks related to doing business in a foreign jurisdiction include but are not limited to: uncertain or unpredictable political, legal or economic environments; delays in obtaining or the inability to obtain necessary governmental permits; labour disputes; invalidation of governmental orders; war, acts of terrorism and civil disturbances; changes in laws or policies of particular countries; taxation; government seizure of land or mining claims; limitations on ownership of property or mining rights; restrictions on the convertibility of currencies; limitations on the repatriation of earnings; and increased financing costs.

Metallica may be a designated foreign issuer or will apply for exemptive relief so that it may be deemed a designated foreign issuer

If, on a fully-diluted basis, 10% or fewer of the Metallica Shares upon completion of the Arrangement, are owned, directly or indirectly, by residents in Canada, Metallica will be permitted under NI 71-102 to report in Canada as a “designated foreign issuer”. If, on a fully-diluted basis, greater than 10% of the Metallica Shares upon completion of the Arrangement, are owned, directly or indirectly, by residents in Canada, Metallica intends to apply to the Ontario Securities Commission for exemptive relief to permit it to report as a “designated foreign issuer”. As a “designated foreign issuer”, Metallica will be exempt from most of the continuous disclosure requirements of Canadian securities legislation provided Metallica complies with the continuous disclosure requirements of Australia. As a result, Metallica would not prepare and file quarterly financials or quarterly and annual MD&As in the same manner as required under Canadian securities legislation, as such filings are not required in Australia. Rather, Metallica will only prepare an annual and semi-annual report in accordance with Australian requirements. However, certain mining production or mining exploration entities are required, under the ASX Listing Rules, to prepare and file a quarterly activities report and quarterly cashflow report. This requirement currently applies to Metallica but may not apply in the future depending on Metallica’s activities and circumstances.

Risks and Uncertainties – Melior

Whether or not the Arrangement is completed, Melior will continue to face many risks and uncertainties that it currently faces with respect to its business and affairs. Certain of these risk and uncertainties are identified and described in Melior’s MD&A for the financial year ended June 30, 2018 which is incorporated by reference herein.

Risks and Uncertainties – Metallica

An investment in Metallica Shares involves a high degree of risk due to, among other things, the nature of Metallica’s business and the volatility of mineral prices in the world market. The risks and uncertainties set out in Appendix “F” – “*Information Concerning Metallica*” to this Circular under the heading “Risk Factors” will remain risks for Metallica following the Effective Date. Other risks not currently known to Metallica could also materially adversely affect Metallica’s future business, operations and financial condition and could cause them to differ materially from the estimates described in forward-looking statements relating to Metallica. Such risk factors could materially affect the future operating results of Metallica and could cause actual events to differ materially from those described in forward-looking statements relating to Metallica.

ARRANGEMENT AGREEMENT

The Arrangement will be effected in accordance with the Arrangement Agreement, a copy of which has been filed under Melior’s profile on SEDAR at www.sedar.com as a material document. The description of the Arrangement Agreement, both below and elsewhere in this Circular, is a summary only, is not exhaustive and is qualified in its entirety by reference to the terms of the Arrangement Agreement, which is incorporated by reference herein.

Effective Date and Conditions to the Arrangement

If the Arrangement Resolution is passed, the Metallica Arrangement Resolution is passed at the Metallica Meeting, the Final Order of the Court is obtained approving the Arrangement, every requirement of the BCBCA relating to the Arrangement has been complied with and all other conditions disclosed under “*The Arrangement – The Arrangement Agreement - Conditions to the Arrangement Becoming Effective*” are met or waived, the Arrangement will become effective at 12:01 a.m. on the Effective Date. It is currently expected that the Effective Date will be on or about December 13, 2018.

Representations and Warranties

Pursuant to the Arrangement Agreement, Melior made customary representations and warranties to Metallica. The Arrangement Agreement also contains customary representations and warranties made by Metallica

to Melior. These representations and warranties include, among other things, representations and warranties made by each of Melior on the one hand and Metallica on the other hand as to: (a) corporate organization and valid existence, power to conduct business, qualification and good standing of the respective entities and their subsidiaries; (b) ownership of subsidiaries and other investments; (c) encumbrances on the capital stock of their subsidiaries; (d) licenses, registrations, qualifications, permits and consents necessary to conduct their business; (e) properties and mining rights; (f) technical reports in respect of their properties; (g) compliance with disclosure obligations of the TSX-V, Canadian securities regulators, Australian securities regulators, the ASX, as the case may be, and the applicable rules and regulations promulgated thereunder; (h) compliance with other applicable laws and regulations; (i) accuracy and completeness of financial statements and other information provided to the respective entities; (j) tax matters; (k) matters concerning their respective auditors; (l) matters affecting the voting or control of the securities of the respective entities and their subsidiaries; (m) interests of officers, directors and affiliates in transactions that are material to Melior or Metallica, as applicable, on a consolidated (with their subsidiaries) basis; (n) litigation and government proceedings; (o) material contracts; (p) intellectual property; (q) capitalization; (r) indebtedness; (s) leases; (t) insurance; (u) employment matters; (v) maintenance of internal accounting and disclosure controls; (w) environmental matters; (x) brokers' fees; and (y) compliance with covenants contained in the Letter of Intent.

Many of the representations and warranties are qualified by the concept of Material Adverse Effect. The representations and warranties contained in the Arrangement Agreement expire on the Arrangement Effective Date.

Mutual Covenants

Under the terms of the Arrangement Agreement, Melior on the one hand and Metallica on the other hand made a number of commitments in connection with the Arrangement including, but not limited to, the following undertakings:

- (a) prepare, deliver and file, respectively, the Circular and the Metallica Proxy Circular in respect of the Arrangement;
- (b) use reasonable efforts to deliver or cause to be delivered all certificates and legal, tax and other opinions necessary to support the disclosure contained or to be contained in their respective proxy circulars;
- (c) not adjourn, postpone or cancel their respective shareholder meeting at which the Arrangement is to be considered expect under limited circumstances;
- (d) file, proceed with and diligently prosecute an application for the Final Order and carry out the terms thereof;
- (e) conduct business only in the usual and ordinary course of business, which in the case of Melior shall include actions taken in accordance with a budget provided by the Melior Board including the budget for the restart of the Goondicum Mine, and consistent with past practice, and use all reasonable commercial efforts to maintain and preserve their respective assets and advantageous business relationships;
- (f) refrain from declaring, setting aside or paying any dividend or making any other distribution or payment in respect of their respective outstanding securities;
- (g) refrain from issuing or agreeing to issue any shares or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, shares, other than the issuance of shares pursuant to the exercise of currently outstanding rights to acquire shares or to employees hired after September 12, 2018 in a manner consistent with past practice;

- (h) refrain from redeeming, purchasing or otherwise acquiring outstanding shares or other securities (other than redemptions required pursuant to its constating documents) or splitting, combining, or reclassifying any securities;
- (i) refrain from adopting a plan of liquidation or resolutions providing for liquidation, dissolution, merger, consolidation or reorganization;
- (j) refrain from selling, pledging, disposing of or encumbering any assets other than in the ordinary course of business for consideration in excess of A\$50,000 individually or A\$100,000 in the aggregate, other than, in the case of Metallica, in connection with the sale of the ordinary shares of Australian Mines Limited by it for a price per share not less than A\$0.07;
- (k) refrain from expending or committing to expend more than A\$50,000 individually or A\$100,000 in the aggregate with respect to any capital expenditures;
- (l) refrain from expending or committing to expend any amounts with respect to any operating expenses other than in the ordinary course of business or pursuant to the Arrangement;
- (m) refrain from acquiring (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof, or make any investment therein either by purchase of shares or securities, contributions of capital or property transfer with an acquisition cost in excess of A\$50,000 in the aggregate;
- (n) refrain from acquiring any assets with an acquisition cost in excess of A\$50,000 in the aggregate;
- (o) refrain from incurring any indebtedness for borrowed money in excess of A\$50,000 other than from existing credit facilities, or issue or assume, guarantee, endorse or otherwise become responsible for, the obligations of any other individual or entity, or make any loans or advances, other than in respect of fees payable to legal, financial and other advisors in the ordinary course of business or in respect of the Arrangement;
- (p) refrain from authorizing, recommending or proposing any release or relinquishment of any material contract right;
- (q) refrain from waiving, abandoning, releasing, granting or transferring any material assets or rights of value or modify or change in any material respect any existing material license, lease, contract or other material document;
- (r) refrain from entering into or terminating any hedges, swaps or other financial instruments or like transactions;
- (s) refrain from making any payment to any employee, officer or director outside of its ordinary and usual compensation for services provided, except to the extent that any such entitlement to payment to a former employee or officer has been disclosed to, and approved by, the other party;
- (t) except as required by applicable Laws or regulatory requirement, refrain from granting any officer, director or employee an increase in compensation in any form;
- (u) except as required by applicable Laws or regulatory requirement, refrain from taking any action with respect to the amendment or grant of any severance or termination pay policies or arrangement for any directors, officers or employees;
- (v) except as required by applicable Laws or regulatory requirement, refrain from amending any stock option plan or trust unit incentive plan or the terms of any outstanding options or rights thereunder;

- (w) except as required by applicable Laws or regulatory requirement, refrain from advancing any loan to any officer, director or any other party not at arm's length, other than as may be agreed to by the parties;
- (x) refrain from adopting or amending or making any contribution to any bonus, employee benefit plan, profit sharing, share or deferred compensation, insurance, incentive compensation, other compensation or other similar plan, agreement, share or incentive or purchase plan, fund or arrangement for the benefit of employees, except as is necessary to comply with the law or with respect to existing provisions of any such plans, programs, arrangement or agreements;
- (y) refrain from taking any action, permitting any action to be taken or not taken, inconsistent with the Arrangement Agreement, which might directly or indirectly interfere or affect the consummation of the Arrangement or that could reasonably be expected to render any representation or warranty made by such party untrue or inaccurate in any material respect at any time prior to the Effective Time if then made, or which would or could have a material adverse effect on such party;
- (z) except in limited circumstances, refrain from making any changes to the existing accounting practices or making any material tax election inconsistent with past practice;
- (aa) other than, in the case of Melior, in accordance with the Goondicum Budget, refrain from entering into or modifying any employment, consulting, severance, collective bargaining or similar agreement, policy or arrangement with, or grant any bonus, salary increase, option to purchase shares, pension or supplemental pension benefit, profit sharing, retirement allowance, deferred compensation, incentive compensation, severance, change of control or termination pay to, or make any loan to, any officer, director, employee or consultant;
- (bb) refrain from settling or compromising any claim brought by any present, former or purported holder of securities in connection with the transactions contemplated by the Arrangement Agreement prior to the Effective Time without the prior written consent of the other party;
- (cc) refrain from renewing or modifying in any respect any material contract, agreement, lease, commitment or arrangement, except insofar as may be necessary to permit or provide for the completion of the Arrangement or, in the case of Melior, in accordance with the Goondicum Budget;
- (dd) use all commercially reasonable best efforts to satisfy, or cause to be satisfied, all conditions precedent to the respective party's obligations to the extent that the same is within its control and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under all applicable laws to complete the transactions contemplated by the Arrangement Agreement, including using its commercially reasonable best efforts to:
 - i. obtain the approval of their respective shareholders in accordance with the provisions of the BCBCA, the ACA, the Interim Order, and the requirements of any applicable regulatory authority, as applicable;
 - ii. obtain all other consents, approvals and authorizations as are required to be obtained under any applicable law or from any governmental authority which would, if not obtained, materially impede the completion of the transactions contemplated by the Arrangement Agreement or have a material adverse effect;
 - iii. effect all necessary registrations, filings and submissions of information requested by governmental authorities required to be effected by it in connection with the transactions contemplated by the Arrangement Agreement and participate and appear in any proceedings of any party thereto before any governmental authority;

- iv. oppose, lift or rescind any injunction or restraining order or other order or action challenging or affecting the Arrangement Agreement; and
 - v. fulfill all conditions and satisfy all provisions of the Arrangement Agreement and the Plan of Arrangement required to be fulfilled or satisfied by it;
- (ee) make, or cooperate as necessary in the making of, all necessary filings and applications under all applicable laws required in connection with the transactions contemplated by the Arrangement Agreement and take all reasonable action necessary to be in compliance with such laws;
- (ff) use its commercially reasonable best efforts to conduct their affairs and to cause their respective subsidiaries to conduct their affairs so that all of the representations and warranties of such party contained in the Arrangement Agreement shall be true and correct on and as of the Arrangement Effective Date as if made on and as of such date;
- (gg) continue to make available and cause to be made available to the other party, all documents, agreements, corporate records and minute books as may be necessary to enable such party to effect a thorough examination of the disclosing party and the business, properties and financial status thereof;
- (hh) deliver title opinions in respect of their respective material mineral properties; and
- (ii) execute and deliver, or cause to be executed and delivered, at the closing of the transactions contemplated by the Arrangement Agreement such customary agreements, certificates, resolutions, opinions and other closing documents as may be required by the other party.

Melior Covenants

Under the terms of the Arrangement Agreement, Melior has also made a number of commitments in connection with the Arrangement including, but not limited to, the following undertakings:

- (a) file, proceed with and diligently prosecute an application to the Court for the Interim Order and carry out the terms of the same;
- (b) take all commercially reasonable lawful action to solicit shareholders to vote in favour of the Arrangement including, without limitation, if deemed advisable, retaining a proxy solicitation agent;
- (c) recommend to its shareholders that they vote in favour of the Arrangement and the other transactions contemplated thereby; and
- (d) subject to approval of the Arrangement at the Melior Meeting, file, proceed with and diligently prosecute an application for the Final Order.

Metallica Covenants

Under the terms of the Arrangement Agreement, Metallica has also made a number of commitments in connection with the Arrangement including, but not limited to, the following undertakings:

- (a) take all actions and do all such acts and things that are specified in the Interim Order, the Plan of Arrangement and the Final Order to be taken or done by Metallica;
- (b) lodge with the ASX its Application for In-Principle Determination and any further submissions or information reasonably requested by the ASX in connection therewith;

- (c) take all commercially reasonable lawful action to solicit Metallica Shareholders to vote in favour of the Relevant Metallica Resolutions including, without limitation, if deemed advisable, retaining a proxy solicitation agent;
- (d) recommend to its shareholders that they vote in favour of the Arrangement and the other transactions contemplated thereby;
- (e) engage the Independent Expert to prepare the Independent Expert's Report on the Relevant Matters;
- (f) apply for and diligently pursue an application to ensure the listing of the Metallica Shares comprising the Share Consideration on the ASX;
- (g) deliver the aggregate Metallica Shares comprising the Share Consideration in accordance with the Plan of Arrangement; and
- (h) conduct the Metallica Meeting in accordance with the ACA.

Non-Solicitation Covenant and Right to Match

Subject to certain exceptions in respect of a Superior Proposal and compliance with applicable securities laws as more particularly set out in the Arrangement Agreement, each of Melior and Metallica agreed that neither of them shall, directly or indirectly, do or authorize or permit any of its officers, directors or employees or any financial advisor, expert or other representative retained by it to (i) solicit, facilitate, initiate or encourage any Acquisition Proposal, (ii) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal, or furnish to any other person any information with respect to its businesses, properties, operations, prospects or conditions (financial or otherwise) in connection with an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage any effort or attempt of any other person to do or seek to do any of the foregoing, (iii) waive, or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to waive or otherwise forbear in respect of, any rights or other benefits under confidential information agreements, including, without limitation, any "standstill provisions" thereunder, or (iv) accept, recommend, approve or enter into an agreement to implement an Acquisition Proposal.

In the event that the Board of Directors of the Receiving Party has determined to accept, recommend, approve or enter into an agreement to implement a Superior Proposal, the Receiving Party shall give the Responding Party, orally and in writing, at least five (5) Business Days advance notice of any such decision, which notice shall confirm that the Board of Directors of the Receiving Party has determined that such Acquisition Proposal constitutes a Superior Proposal, shall identify the third party making the Superior Proposal and shall provide a true and complete copy thereof and any amendments thereto. During such five (5) Business Day period, the Receiving Party agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and not to release the party making the Superior Proposal from any confidentiality or standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement. In addition, during such five (5) Business Day period the Receiving Party shall, and shall cause its financial and legal advisors to, negotiate in good faith with the Responding Party and their financial and legal advisors to make such adjustments in the terms and conditions of the Arrangement Agreement and the Arrangement as would cause such Acquisition Proposal to no longer constitute a Superior Proposal hereunder. In the event the Responding Party offers in writing to amend the Arrangement Agreement and the Arrangement prior to the expiry of such five (5) Business Day period, the Board of Directors of the Receiving Party shall review such offer and determine in good faith if the Acquisition Proposal would no longer constitute a Superior Proposal, in which event (i) the parties will enter into an amendment to the Arrangement Agreement to reflect such offer, and (ii) the Board of Directors of the Receiving Party shall not accept, recommend, approve or enter into any agreement to implement such Superior Proposal and shall not release the party making the Superior Proposal from any confidentiality or standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement.

Other Covenants

Indemnification and Insurance of Melior Officers and Directors

Metallica has covenanted and agreed that all rights to indemnification or exculpation in favour of the current and former directors and officers of Melior and its subsidiaries provided in the articles or by-laws of Melior or any subsidiary of Melior, or in any indemnity agreements entered into between Melior and such directors and officers shall survive the completion of the Arrangement and will be binding upon Melior and continue in full force and effect and Melior has undertaken to ensure that this covenant shall remain binding upon its successors and assigns.

Metallica has further covenanted that prior to the Effective Date, Metallica shall purchase and maintain director and officer liability “run-off” insurance for the benefit of the former directors and officers of Melior and Metallica for a period of not less than six (6) years following the Effective Date with coverage of not less than \$10,000,000 with respect to claims arising from facts or events that occurred on or before the Effective Date, including with respect to the Arrangement.

Mutual Conditions to Closing

Each of Melior’s and Metallica’s obligations to complete the transactions contemplated by the Arrangement Agreement are subject to fulfillment or waiver of the following conditions on or before the Effective Time:

- (a) the Interim Order and the Final Order shall each have been obtained in form and substance satisfactory to the parties, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to the parties, acting reasonably, on appeal or otherwise;
- (b) the Arrangement and all other material transactions contemplated under the Arrangement Agreement shall have been approved by Melior Shareholders at the Melior Meeting in accordance with the provisions of the BCBCA, the Interim Order and the requirements of any applicable regulatory authority;
- (c) the Arrangement and all other material transactions contemplated under the Arrangement Agreement including the Metallica Arrangement Resolution shall have been approved by Metallica Shareholders at the Metallica Meeting in accordance with the provisions of the ACA and the requirements of any applicable regulatory authority including the ASX;
- (d) each of Metallica and Melior shall have been satisfied in their reasonable discretion of the response and requirements from ASX arising from the Application for In-Principle Advice;
- (e) if re-admission to the official list of ASX is a condition arising from the Application for In-Principle Advice, Metallica shall have received confirmation from ASX that Metallica will be re-admitted to the official list of ASX and quote the Share Consideration on ASX;
- (f) the Independent Expert’s Report shall state that in the opinion of the Independent Expert each of the Relevant Matters is reasonable and the Independent Expert shall not have changed or withdrawn this conclusion prior to the Effective Time;
- (g) the ASX shall have conditionally approved the listing of the Metallica Shares to be issued in connection with the Arrangement and the terms and issue of the Metallica Replacement Options and Metallica Replacement Warrants;
- (h) the TSX-V shall have, if required, accepted notice for filing of all transactions of Melior contemplated under the Arrangement Agreement;

- (i) if dissent rights are granted to Melior Shareholders by the Court in connection with the Arrangement, holders of not more than 5% of the issued and outstanding Melior Shares shall have exercised rights of dissent in relation to the Arrangement;
- (j) there shall not be in force any law and no governmental authority shall have issued any order or decree restraining or prohibiting the completion of the transactions contemplated by the Arrangement Agreement;
- (k) Metallica shall have obtained or made all filings, registrations, qualifications, approvals or letters of “no objection” required to issue the Metallica Shares comprising the Share Consideration and complete the Arrangement under the ACA and rules of the ASX;
- (l) the distribution by Metallica of the Share Consideration to the Melior Shareholders pursuant to the Arrangement shall be exempt from prospectus and registration requirements of applicable Securities Laws of each of the provinces of Canada and shall not be subject to resale restrictions under applicable Securities Laws;
- (m) the Metallica Shares, Metallica Replacement Options and Metallica Replacement Warrants to be issued in the United States pursuant to the Arrangement are exempt from registration requirements under Section 3(a)(10) of the 1933 Act and the Metallica Shares, Metallica Replacement Options and Metallica Replacement Warrants to be distributed in the United States pursuant to the Arrangement are not subject to resale restrictions in the United States under the 1933 Act (other than as may be prescribed by Rule 144 and Rule 145 under the 1933 Act); and
- (n) the Arrangement Agreement shall not have been terminated.

Conditions in Favour of Melior

The obligations of Melior to complete the transactions contemplated by the Arrangement Agreement are subject to the fulfillment of each of the following conditions on or before the Arrangement Effective Date or such other time as specified below:

- (a) the representations and warranties made by Metallica in the Arrangement Agreement shall be true and correct in all material respects as of the Effective Date as if made on and as of such date (with certain exceptions), and Metallica shall have provided to Melior a certificate of two senior officers certifying such accuracy on the Effective Date;
- (b) Metallica shall have complied in all material respects with its covenants and obligations in the Arrangement Agreement and Metallica shall have provided to Melior a certificate of two senior officers certifying compliance with such covenants on the Effective Date;
- (c) no Material Adverse Effect shall have occurred in respect of Metallica and its subsidiaries, taken as a whole, from and after September 12, 2018 and prior to the Effective Date, and no Material Adverse Effect in respect of Metallica and its subsidiaries, taken as a whole, shall have occurred prior to September 12, 2018 or shall occur from and after September 12, 2018 and prior to the Effective Date from that reflected in the audited consolidated financial statements of Metallica as at and for the fiscal year ending June 30, 2017;
- (d) no act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any governmental authority by any elected or appointed public official or private person in Canada, Australia or elsewhere, whether or not having the force of law and no law shall have been proposed, enacted, promulgated, amended or applied, in either case has had or, if the Arrangement was consummated, would result in a Material Adverse Effect in respect of Metallica or would have a material adverse effect on the ability of the parties to complete the Arrangement;

- (e) all consents, waivers, permits, exemptions, orders and approvals of, and any registrations and filings with, any governmental authority, and all applicable statutory or regulatory waiting periods shall have expired or been terminated and the expiry of any waiting periods, in connection with, or required to permit, the completion of the Arrangement, and all third person and other consents, waivers, permits, exemptions, orders, approvals, agreements and amendments and modifications to agreements, indentures or arrangements, the failure of which to obtain or the non-expiry of which would, or could reasonably be expected to have, a Material Adverse Effect on Metallica or materially impede the completion of the Arrangement, shall have been obtained or received on terms that are reasonably satisfactory to Melior;
- (f) the directors of Metallica shall have adopted all necessary resolutions and all other necessary corporate action shall have been taken by Metallica to permit the consummation of the Arrangement;
- (g) Metallica shall have provided to Melior evidence of the director and liability insurance required under the Arrangement Agreement.
- (h) the ASX shall not require any Melior Securityholder, other than the Lender subject to certain conditions, to enter into a Restriction Agreement with respect to the Share Consideration, Metallica Replacement Options or Metallica Replacement Warrants;
- (i) the Slesarewich Waiver Letter shall be in full force and effect and, other than as otherwise may be agreed to by Melior, unamended as of the Effective Date;
- (j) Metallica shall have deposited or caused to be deposited with the Depositary an irrevocable direction for the issuance of Metallica Shares; and
- (k) the directors of Metallica as of September 12, 2018 who do not comprise the New Board shall have tendered their resignations and have delivered a resignation and release to Metallica in a form satisfactory to Melior and Metallica.

Conditions in Favour of Metallica

The obligations of Metallica to complete the transactions contemplated by the Arrangement Agreement are subject to the fulfillment of each of the following conditions on or before the Effective Date or such other time as specified below:

- (a) the representations and warranties made by Melior in the Arrangement Agreement shall be true and correct in all material respects as of the Effective Date as if made on and as of such date (with certain exceptions), and Melior shall have provided to Melior a certificate of two senior officers certifying such accuracy on the Arrangement Effective Date;
- (b) Melior shall have complied in all material respects with its covenants and other obligations in the Arrangement Agreement and Melior shall have provided to Melior a certificate of two senior officers certifying compliance with such covenants on the Effective Date;
- (c) no Material Adverse Effect shall have occurred in respect of Melior and its subsidiaries, taken as a whole, from and after September 12, 2018 and prior to the Effective Date, and no Material Adverse Effect in respect of Melior and its subsidiaries, taken as a whole, shall have occurred prior to September 12, 2018 or shall occur from and after September 12, 2018 and prior to the Effective Date from that reflected in the audited consolidated financial statements of Melior as at and for the fiscal year ending June 30, 2017;
- (d) no act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any governmental authority by any elected or appointed public official or private person in Canada, Australia or elsewhere, whether or not having the force of law and no law shall have been proposed,

enacted, promulgated, amended or applied, in either case has had or, if the Arrangement was consummated, would result in a material adverse change in respect of Melior or would have a Material Adverse Effect on the ability of the parties to complete the Arrangement;

- (e) all consents, waivers, permits, exemptions, orders and approvals of, and any registrations and filings with, any governmental authority, and all applicable statutory or regulatory waiting periods shall have expired or been terminated and the expiry of any waiting periods, in connection with, or required to permit, the completion of the Arrangement, and all third person and other consents, waivers, permits, exemptions, orders, approvals, agreements and amendments and modifications to agreements, indentures or arrangements, the failure of which to obtain or the non-expiry of which would, or could reasonably be expected to have, a Material Adverse Effect on Melior or materially impede the completion of the Arrangement, shall have been obtained or received on terms that are reasonably satisfactory to Metallica;
- (f) the Lender Consent Letter and the McCauley Waiver Letter shall each be in full force and effect and, other than as otherwise may be agreed to by Metallica, unamended as of the Effective Date;
- (g) if required by ASX, each Restriction Agreement required by ASX shall have been executed by all parties to it;
- (h) the directors of Melior shall have adopted all necessary resolutions and all other necessary corporate action shall have been taken by Melior and its subsidiaries to permit the consummation of the Arrangement; and
- (i) Rishi Tibriwal shall have tendered his resignation and have delivered a resignation and release to Melior in a form satisfactory to Metallica.

Termination Events

The Arrangement Agreement may, prior to the Effective Time, be terminated in certain circumstances, many of which lead to payment of a termination fee (as described below) including:

- (a) by the mutual written consent of the parties;
- (b) (A) by Metallica if any of the conditions in its favour are not satisfied, and such condition is incapable of being satisfied, by December 31, 2018; or (B) by Melior if any of the conditions in its favour are not satisfied, and such condition is incapable of being satisfied, by December 31, 2018;
- (c) by Metallica if there is an Acquisition Proposal in respect of Melior and (A) the directors of Melior shall have withdrawn or modified in a manner adverse to Metallica their approval or recommendation of the Arrangement or shall have failed, after being requested by Melior in writing, to reaffirm their approval or recommendation of the Arrangement and the transactions contemplated by the Arrangement Agreement as promptly as possible (but in any event within five (5) Business Days) after receipt of such written request from Metallica; or (B) such Acquisition Proposal constitutes a Superior Proposal and Melior shall have accepted, recommended, approved or entered into an agreement to implement such Superior Proposal in accordance with the Arrangement Agreement;
- (d) by Melior in the event that, prior to the Melior Meeting, the Melior Board authorizes Melior, subject to complying with the terms of the Arrangement Agreement, to enter into a legally binding agreement, undertaking or arrangement with respect to a Superior Proposal received at any time following the date of the Arrangement Agreement and prior to the Melior Meeting; provided that concurrent with such termination, Melior pays the Melior Break Fee (as hereinafter defined);
- (e) by Melior if there is an Acquisition Proposal in respect of Metallica and (A) the Metallica Board shall have withdrawn or modified in a manner adverse to Melior their approval or recommendation of the

Arrangement or shall have failed, after being requested by Melior in writing, to reaffirm their approval or recommendation of the Arrangement and the transactions contemplated under the Arrangement Agreement as promptly as possible (but in any event within five (5) Business Days) after receipt of such written request from Melior; or (B) such Acquisition Proposal constitutes a Superior Proposal and Metallica shall have accepted, recommended, approved or entered into an agreement to implement such Superior Proposal in accordance with the Arrangement Agreement;

- (f) by Metallica in the event that, prior to the Metallica Meeting, the Metallica Board authorizes Metallica, subject to complying with the terms of the Arrangement Agreement, to enter into a legally binding agreement, undertaking or arrangement with respect to a Superior Proposal received at any time following the date of the Arrangement Agreement and prior to the Metallica Meeting; provided that concurrent with such termination Metallica pays the Metallica Break Fee (as hereinafter defined);
- (g) by the non-breaching party if the other party is in breach or default of any of its obligations or covenants relating to non-solicitation;
- (h) by Melior if Metallica is in breach of any representation or warranty or failure to perform any covenant or agreement on the part of Metallica shall have occurred which would make any of the conditions in favour of Melior incapable of being satisfied prior to December 31, 2018;
- (i) by Metallica if Melior is in breach of any representation or warranty or failure to perform any covenant or agreement on the part of Melior shall have occurred which would make any of the conditions in favour of Melior incapable of being satisfied prior to December 31, 2018;
- (j) by Melior if the Metallica Board or any committee of the Metallica Board fails to unanimously recommend or withdraws, amends, modifies or qualifies, publicly proposes or states its intention to do so, or fails to reaffirm the Metallica Board Recommendation within five (5) Business Days after having been requested to do so by Melior;
- (k) by Metallica if the Melior Board or the Special Committee fails to unanimously recommend or withdraws, amends, modifies or qualifies, publicly proposes or states its intention to do so, or fails to reaffirm the approval or recommendation of the Arrangement or Arrangement Resolution within five (5) Business Days after having been requested to do so by Metallica; or
- (l) by either Metallica or Melior if the Arrangement shall not have been completed by December 31, 2018.

Termination Fee

In the event that: (i) the Arrangement Agreement is terminated as a result of (A) either of the parties being unsatisfied with the In-Principle Advice, (B) if required, Metallica does not receive written confirmation from the ASX that the ASX will re-admit Metallica to the official list of the ASX and quote the Share Consideration on the ASX, (C) the Independent Expert's Report does not state that it is of the opinion of the Independent Expert that each of the Relevant Matters is reasonable or the Independent Expert reaches such conclusion prior to the Effective Time, (D) the listing of the Share Consideration on the ASX is not conditionally approved, or (E) Metallica does not obtain or make all filings required to issue the Metallica Shares comprising the Share Consideration and to complete the Arrangement under the ACA and the rules of the ASX ; (ii) the Arrangement Agreement is terminated by Melior as described in paragraph (e) under the heading "Termination Events" above and such Acquisition Proposal or Superior Proposal (as applicable) is consummated; (iii) this Agreement is terminated by Metallica as described in paragraph (f) under the heading "Termination Events" above; or (iv) this Agreement is terminated by Melior as described in either of paragraphs (g), (h) or (j) under the heading "Termination Events" above , then Metallica shall pay to Melior an amount equal to A\$300,000 in any such circumstance, except in the event that the termination of the Arrangement Agreement occurs as a result of the Independent Expert not providing the Independent Expert's Report stating that each of the Relevant Matters is reasonable in which case such amount shall equal A\$150,000 in immediately available funds (the "**Metallica Break Fee**").

In the event that: (i) the Arrangement Agreement is terminated as a result of (A) the Interim Order or the Final Order not having been granted in a form and substance satisfactory to each of the parties, or (B) the TSX-V has not accepted notice for filing of all transactions of Melior contemplated under the Arrangement Agreement; (ii) the Arrangement Agreement is terminated by Metallica as described in paragraph (c) under the heading “Termination Events” above and such Acquisition Proposal or Superior Proposal (as applicable) is consummated; (iii) this Agreement is terminated by Melior as described in paragraph (d) under the heading “Termination Events” above; or (iv) this Agreement is terminated by Metallica as described in either of paragraphs (g), (i) or (k) under the heading “Termination Events” above, then Melior shall pay to Metallica an amount equal to A\$300,000 in any such circumstance, except in the event that the termination of the Arrangement Agreement occurs as a result of the Interim Order or Final Order not having been granted in satisfactory form in which case such amount shall equal A\$150,000 in immediately available funds (the “**Melior Break Fee**”).

Board of Directors

Following the Arrangement Effective Date, it is anticipated that the Metallica Board will be comprised of six directors, who will consist of Peter Turnbull, Simon Slesarewich, Ian Jacobson, Mark McCauley, Martyn Buttenshaw and George Lloyd who shall also be appointed Chairman of the New Board.

Expenses

Pursuant to the Arrangement Agreement, each party will bear its own out-of-pocket expenses incurred in connection therewith and the completion of the transactions contemplated thereby; accordingly, Melior will pay, among other things, for all expenses associated with the Melior Meeting, the preparation, printing and mailing of this Circular, and its legal, accounting and financial advisor fees rendered in connection with the transaction.

Procedure for Exchange of Melior Securities

At the time of sending this Circular to each Melior Shareholder, Melior is also sending the Letter of Transmittal to each Registered Shareholder. The Letter of Transmittal is for use by Registered Shareholders only and is not to be used by Non-Registered Holders. Non-Registered Holders should contact their broker or other intermediary for instructions and assistance in receiving the Metallica Shares in respect of their Melior Shares.

The Letter of Transmittal contains complete instructions with respect to the deposit of certificates representing Melior Shares with the Depositary at its office in Toronto, Ontario in order to receive the Metallica Shares to which they are entitled under the Arrangement. **Registered Shareholders should read and follow these instructions.**

The information below is a summary only and is subject to and qualified in its entirety by the Plan of Arrangement. For further details of procedures, see also “Article 3- Arrangement” and “Article 5 – Delivery of Melior Consideration” of the Plan of Arrangement, which is attached as Appendix “B” hereto.

Letter of Transmittal

Registered Shareholders are requested to tender to the Depositary any share certificates representing their Melior Shares along with the duly completed Letter of Transmittal. As soon as practicable after the Effective Date, the Depositary will facilitate the delivery to each Registered Shareholder that submitted an effective Letter of Transmittal to the Depositary, together with the certificate or certificates representing the Melior Shares held by such Melior Shareholder immediately prior to the Effective Date, the Metallica Shares to which the Registered Shareholder is entitled under the Arrangement, to be sent to or at the direction of such Melior Shareholder. The Metallica Shares will be registered in such name or names as directed in the Letter of Transmittal and evidence of ownership of such shares will be sent to the registered address or addresses as such Melior Shareholder directs in their Letter of Transmittal.

Until surrendered, each certificate which immediately prior to the Effective Time represented Melior Shares will be deemed, at any time after the Effective Time, to represent only the right to receive upon such

surrender the Metallica Shares to which the former Melior Shareholder has the right to receive pursuant to the Plan of Arrangement.

A Registered Shareholder that does not submit an effective Letter of Transmittal prior to the Effective Date may receive evidence of the Metallica Shares to which such Melior Shareholder is entitled pursuant to the Arrangement, by delivering the certificate(s) representing Melior Shares formerly held by it to the Depositary at the office indicated in the Letter of Transmittal at any time prior to the sixth anniversary of the Effective Date. Such certificates must be accompanied by a duly completed Letter of Transmittal, together with such other documents as the Depositary may require. The Metallica Shares will be registered in such name or names as directed in the Letter of Transmittal and evidence of ownership of such shares will be sent to the registered address or addresses as such Melior Shareholder directs in its Letter of Transmittal as soon as practicable after receipt by the Depositary of the required certificates and documents and the completion of the requisition of the Metallica Shares from the transfer agent for Metallica.

If any certificate, which immediately before the Effective Time represented one or more outstanding Melior Shares in respect of which, pursuant to the Arrangement, that was exchanged for Metallica Shares, is lost, stolen or destroyed, upon the making of an affidavit or statutory declaration of that fact by the holder claiming such certificate to be lost, stolen or destroyed, the Depositary will facilitate the delivery in exchange for such lost, stolen or destroyed certificate, the Metallica Shares to which such Registered Shareholder is entitled pursuant to the Arrangement. When authorizing delivery of the Metallica Shares that a former Melior Shareholder is entitled to receive in exchange for any lost, stolen or destroyed certificate, such former holders to whom Metallica Shares are to be delivered will be required, as a condition precedent to the delivery thereof, to give a bond satisfactory to Metallica, Melior and the Depositary in such amount as Metallica, Melior and the Depositary may direct and indemnify Metallica, Melior and the Depositary in a manner satisfactory to them, against any claim that may be made against one or both of them with respect to the certificate alleged to have been lost, stolen or destroyed.

A Registered Shareholder must deliver to the Depositary at the office listed in the Letter of Transmittal:

- (a) the certificates representing their Melior Shares;
- (b) a Letter of Transmittal in the form accompanying this Circular, or a manually executed photocopy thereof, properly completed and duly executed as required by the instructions set out in the Letter of Transmittal; and
- (c) any other relevant documents required by the instructions set out in the Letter of Transmittal.

Except as otherwise provided in the instructions to the Letter of Transmittal, the signature on the Letter of Transmittal must be guaranteed by an Eligible Institution. If a Letter of Transmittal is executed by a person other than the registered holder of the certificate(s) deposited therewith, the certificate(s) must be endorsed or be accompanied by an appropriate share transfer power of attorney duly and properly completed by the registered holder, with the signature on the endorsement panel, or securities transfer power of attorney guaranteed by an Eligible Institution.

No Fractional Shares to be Issued

No fractional Metallica Shares shall be issued to any former Melior Shareholder or to any former Melior Optionholder on the exercise of Metallica Replacement Options or to any former Melior Warrantholder on the exercise of Metallica Replacement Warrant. The number of Metallica Shares to be issued to a former Melior Shareholder, to a former Melior Optionholder on the exercise of Metallica Replacement Options or to a former Metallica Warrantholder on the exercise of Metallica Replacement Warrants, shall be rounded down to the nearest whole Metallica Share and such former Melior Shareholder, former Melior Optionholder on the exercise of the Metallica Replacement Options, or a former Melior Warrantholder on the exercise of Metallica Replacement Warrants, as the case may be, shall not be entitled to any compensation in respect of such fractional Metallica Share.

Cancellation of Rights after Six Years

Any certificate which immediately prior to the Effective Time represented outstanding Melior Shares and which has not been surrendered, with a duly completed Letter of Transmittal and all other documents required by the Depositary, on or before the date that is six (6) years after the Effective Date, will cease to represent any claim for Metallica Shares or any other claim against or interest of any kind or nature in Melior or Metallica. **Accordingly, former Melior Shareholders who do not deposit with the Depositary a duly completed Letter of Transmittal, and certificates representing their Melior Shares on or before the date that is six (6) years after the Effective Date will not receive Metallica Shares or any other consideration in exchange therefor and will not own any interest in Melior or Metallica, and such former Melior Shareholders will not be paid any compensation.**

Certificates for Metallica Replacement Options and Metallica Replacement Warrants

After the Effective Date, certificates formerly representing Melior Options and Melior Warrants will represent the right to receive certificates representing the number of Metallica Replacement Options and Metallica Replacement Warrants, respectively, to which a holder of the former Melior Options and Melior Warrants may be entitled to in accordance with the Plan of Arrangement.

DISSENT RIGHTS

The following description of Dissent Rights is not a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of its Melior Shares from Metallica and is qualified in its entirety by the reference to the full text of Sections 237 – 247 of the BCBCA, the Interim Order and the Plan of Arrangement which are attached at Appendix “O”, Appendix “C” and Appendix “B” to this Circular, respectively. A Dissenting Shareholder who intends to exercise Dissent Rights should carefully consider and comply with the provisions of Sections 237 – 247 of the BCBCA, as modified by the Interim Order and the Plan of Arrangement. Failure to strictly comply with the provisions of the BCBCA, as modified by the Interim Order and the Plan of Arrangement, and to adhere to the procedures established therein may result in the loss of all rights thereunder.

As indicated in the Notice of Meeting accompanying this Circular, and as provided for in Sections 237 to 247 of the BCBCA, as modified by the Interim Order and the Plan of Arrangement, Registered Shareholders may exercise Dissent Rights in connection with the Arrangement.

A holder of Melior Shares who dissents to the Arrangement Resolution and is paid the fair value of such shares will not be entitled to receive any Metallica Shares. The fair value of such holder’s Melior Shares will be determined as of the close of business on the business day before the adoption of the Arrangement Resolution. The payment for such fair value of the shares shall be made by Metallica.

The Court hearing the application for the Final Order has the discretion to alter the Dissent Rights described herein based on the evidence presented at such hearing.

The statutory provisions dealing with the right of dissent are technical and complex. Any Melior Shareholder who wish to exercise their Dissent Rights should seek independent legal advice, as failure to comply strictly with the provisions of Sections 237 - 247 of the BCBCA, as modified by the Interim Order and the Plan of Arrangement, may result in the loss of Dissent Rights.

Only Registered Shareholders on the Record Date of the Melior Meeting may exercise Dissent Rights. A Non-Registered Holder who wishes to exercise the Dissent Rights must arrange for the Registered Shareholder(s) holding its Melior Shares to deliver the Dissent Notice.

Dissenting Shareholders are ultimately entitled to be paid fair value for their Dissenting Shares and shall be deemed to have transferred their Dissenting Shares to Metallica immediately at the Effective Time and in no case shall Metallica, Melior or any other person be required to recognize such Persons as holding Melior Shares after the time that is immediately prior to the Effective Time and the names of each Dissenting Shareholder shall be deleted

from the central securities register as a Melior Shareholder at the Effective time and Metallica shall be recorded as the registered holder of the Melior Shares held by the Dissenting Shareholder and shall be deemed to be the legal owner of such Melior Shares.

Dissent Notices

All Dissent Notices of a Registered Shareholder, in accordance with the provisions of the Plan of Arrangement, should be addressed and sent via registered mail to Melior at its registered office at Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2X8, Attention: Mark McCauley, and must be received not later than 4:00 p.m. (Vancouver time) on November 23, 2018 or two Business Days prior to any adjournment or postponement of the Melior Meeting. The Dissent Notice must set out the number of Dissenting Shares the Dissenting Shareholder holds.

Effect of Voting on the Arrangement Resolution

A vote against the Arrangement Resolution, an abstention from voting in respect of the Arrangement Resolution, or the execution or exercise of a proxy to vote against the Arrangement Resolution does not constitute a Dissent Notice, but a Melior Shareholder need not vote against the Arrangement Resolution in order to dissent. However, a Melior Shareholder who consents to or votes (or instructs, or is deemed, submission of any incomplete proxy, to have instructed his or her proxyholder to vote) FOR the Arrangement Resolution, other than as a proxy for a different Melior Shareholder whose proxy required an affirmative vote, or otherwise acts inconsistently with the dissent, will cease to be entitled to exercise any Dissent Rights.

Sequence of Events

In the event the Arrangement Resolution is passed at the Melior Meeting, and prior to the Arrangement becoming effective, Melior must send a notice of intention to act to each Dissenting Shareholder stating that the Arrangement Resolution has been passed and informing the Dissenting Shareholder of its intention to act on such Arrangement Resolution. A notice of intention need not be sent to any Melior Shareholder who voted FOR the Arrangement Resolution or who has withdrawn his Dissent Notice.

Within one month of the date of the notice given by Melior of its intention to act, the Dissenting Shareholder is required to send written notice to Melior that he requires the purchase of all of his or her Melior Shares, and at the same time to deliver certificates representing those Melior Shares to Melior. Upon such delivery, a Dissenting Shareholder will be bound to sell and Metallica will be bound to purchase the Melior Shares subject to the demand for a payment equal to their fair value as of the day before the Final Order becomes effective. Every Dissenting Shareholder who has delivered a demand for payment must be paid the same price as the other Dissenting Shareholders.

A Dissenting Shareholder who has sent a demand for payment, or Melior, may apply to the Court which may: (a) require the Dissenting Shareholder to sell and Metallica to purchase the Melior Shares in respect of which a Dissent Notice has been validly given; (b) set the price and terms of the purchase and sale, or order that the price and terms be established by arbitration, in either case having due regard for the rights of creditors; (c) join in the application of any other Dissenting Shareholder who has delivered a demand for payment; and (d) make consequential orders and give such directions as it considers appropriate. No Dissenting Shareholder who has delivered a demand for payment may vote or exercise or assert any rights of a Melior Shareholder in respect of the Melior Shares for which a demand for payment has been given, other than the rights to receive payment for those Melior Shares. Until a Dissenting Shareholder who has delivered a demand for payment is paid in full, that Dissenting Shareholder may exercise and assert all the rights of a creditor of Melior. No Dissenting Shareholder may withdraw his demand for payment unless Metallica consents.

Once the Arrangement becomes effective, none of the resulting changes to Melior will affect the rights of the Dissenting Shareholders or Melior or the price to be paid for the Dissenting Shareholder's Melior Shares. If the Court determines that a person is not a Dissenting Shareholder or is not otherwise entitled to dissent, the Court, without prejudice to any acts or proceedings that Melior or the Melior Shareholders may have taken during the

intervening period, may make the order it considers appropriate to remove the restrictions on the Dissenting Shareholder from dealing with his Melior Shares.

Should Metallica and Melior not complete the Arrangement, whether as a result of the failure of the Melior Shareholders to approve the Arrangement Resolution or Melior receiving Dissent Notices in excess of 5% of the number of Melior Shares or for any other reason, Dissenting Shareholders will not be entitled to receive fair value for their Melior Shares.

Effect of Loss of Dissent Rights

Melior Shareholders who do not duly exercise their Dissent Rights are not entitled to be paid fair value for their Dissenting Shares, shall be deemed to have participated in the Arrangement on the same basis as a Melior Shareholder who is not a Dissenting Shareholder and shall receive Metallica Shares on the same basis as every other Melior Shareholder.

Strict Compliance with Dissent Provisions Required

The foregoing summary does not purport to be a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of such shareholder's Melior Shares, and is qualified in its entirety by reference to Sections 237 - 247 of the BCBCA, a full text of which is attached to this Circular as Appendix "O", the Interim Order, a copy of which is attached to this Circular as Appendix "C" and the Plan of Arrangement, a copy of which is attached to this Circular as Appendix "B". The Dissent Rights in the provisions of sections 237 - 247 of the BCBCA, as modified by the Interim Order and the Plan of Arrangement, require strict adherence to the procedures established therein and failure to do so may result in the loss of Dissent Rights. Accordingly, each Melior Shareholder who might desire to exercise Dissent Rights should carefully consider and comply with the provisions of those sections and should consult a legal advisor.

The Arrangement Agreement provides, as a condition to the obligations to complete the Arrangement that holders of not more than 5% of the issued and outstanding Melior Shares shall have exercised Dissent Rights (and not withdrawn such exercise) in connection with the Arrangement. This condition may be waived by both Parties.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act in respect of the Arrangement to a beneficial owner of Melior Shares who at all relevant times and for the purposes of the Tax Act: (a) deals at arm's length with Melior and Metallica; (b) is not and will not be affiliated with Melior or Metallica; and (c) holds Melior Shares, and will hold all Metallica Shares acquired on the Arrangement, as capital property (each such Shareholder in this section, a **"Holder"**).

Generally, the Melior Shares and Metallica Shares will be considered capital property to a Holder unless the Holder holds them in the course of carrying on a business of trading or dealing in securities or otherwise as part of a business of buying and selling securities or has acquired such shares in a transaction or transactions considered to be an adventure or concern in the nature of trade.

This summary is based on the current provisions of the Tax Act in force as of the date hereof, the regulations thereunder and management of Melior and the Melior Board's understanding of the current published administrative practices and assessing policies of the CRA publicly available prior to the date hereof. This summary also takes into account proposed amendments to the Tax Act and the regulations that have been publicly announced and made available as of the date hereof (the **"Proposed Amendments"**). This summary assumes that all Proposed Amendments will be enacted in the form proposed, although no assurances can be given that the Proposed Amendments will be enacted in their current form or at all. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental, regulatory, or judicial action or decision, or changes in the administrative practices of the CRA, nor does it take into account provincial, territorial or foreign income tax considerations, which may differ significantly from the Canadian federal

income tax considerations discussed below. It is also assumed for purposes of this summary that the Melior Shares will remain listed on the TSX-V until the Melior Shares (including those held by Dissenting Shareholders) have been acquired in accordance with the Arrangement, although this result cannot be guaranteed.

This summary is not applicable to (i) a Holder that is a “financial institution” as defined in the Tax Act for the purposes of the “mark-to-market property” rules, or a “specified financial institution” as defined in the Tax Act; (ii) a Holder an interest in which is a “tax shelter investment” as defined in the Tax Act; (iii) a Holder that has made a functional currency reporting election for purposes of the Tax Act; (iv) a Holder with respect to whom Metallica is or will be a “foreign affiliate” or a “controlled foreign affiliate” within the meaning of the Tax Act; or (v) a Holder who has entered into, or will enter into, a “derivative forward agreement” with respect to its Melior Shares or the Metallica Shares to be received pursuant to the Arrangement.

The tax treatment relevant to holders of Melior Options and Melior Warrants in respect of the Arrangement is not addressed in this summary, and in addition, this summary does not address issues relevant to Holders who acquired their Melior Shares on the exercise of any Melior Option or Melior Warrant. This summary also does not describe or consider any tax implications arising from the acquisition, holding, exercise or disposition of Metallica Replacement Options and Metallica Replacement Warrants. All affected holders (including Holders as defined above) should consult their own tax advisors.

This summary does not take into account the tax considerations arising from any Canadian resident corporation becoming controlled by a non-resident corporation as a part of the series of transactions described herein or any other series of transactions that may include the transactions described herein for the purpose of the foreign affiliate dumping rules in the Tax Act.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations. This summary is not, and should not be construed as, legal, business or tax advice to any particular Holder and no representations with respect to the tax consequences to any particular Holder are made. Accordingly, all holders of Melior Shares (including Holders as defined above), and holders of Melior Options and Melior Warrants should consult their own tax advisors regarding the Canadian federal income tax consequences applicable to their particular circumstances and the application and effect of the income and other tax laws of any country, province, state or local tax authority.

Holders Resident in Canada

The following portion of this summary is generally applicable to a Holder who, at all relevant times, is a resident of Canada or who is deemed to be a resident of Canada for purposes of the Tax Act (a “**Resident Holder**”). Certain Resident Holders whose shares might not otherwise qualify as capital property may, in certain circumstances, be entitled to cause their Melior Shares (but not Metallica Shares) to be deemed to be capital property by making the irrevocable lifetime election permitted under subsection 39(4) of the Tax Act in respect of each Canadian security held by such Holder in the year of the election or any subsequent taxation year. Holders should consult their own tax advisors as to whether they hold or will hold their Melior Shares and Metallica Shares as capital property and whether such election can or should be made in respect of their Melior Shares.

Taxable Exchange of Shares under the Arrangement

A Resident Holder whose Melior Shares are exchanged for Metallica Shares under the Arrangement will be considered to have disposed of the Melior Shares for proceeds of disposition equal to the fair market value at the Effective Time of the Metallica Shares receivable in exchange for Melior Shares. As a result, such Resident Holder will realize a capital gain (or a capital loss) to the extent that such proceeds of disposition exceed (or are less than) the aggregate of the Resident Holder’s adjusted cost base of such Resident Holder’s Melior Shares immediately before the disposition and any reasonable costs of disposition. See “*Taxation of Capital Gains and Capital Losses*” below.

The adjusted cost base to the Resident Holder of the Metallica Shares acquired on such exchange will equal the fair market value of such Metallica Shares at the Effective Time and will, for the purpose of determining the

Resident Holder's adjusted cost base of those Metallica Shares, be averaged with the adjusted cost base to the Resident Holder of any other Metallica Shares held at the Effective Time as capital property.

Taxation of Capital Gains and Capital Losses

Generally, a Resident Holder will be required to include in computing income for a taxation year one-half of the amount of any capital gain (a “**taxable capital gain**”) realized in that year. A Resident Holder will be required to deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) realized in a taxation year from taxable capital gains realized by the Resident Holder in that taxation year, subject to the more detailed rules in the Tax Act. Allowable capital losses in excess of taxable capital gains for a taxation year may be carried back to any of the three preceding taxation years or carried forward to any subsequent taxation year and deducted against net taxable capital gains realized in such years, subject to the detailed rules contained in the Tax Act.

A capital loss realized on the disposition of Melior Shares by a Resident Holder that is a corporation may, to the extent and under the circumstances specified by the Tax Act, be reduced by the amount of dividends received or deemed to have been received by the corporation on such shares (or on a share for which such share is substituted or exchanged). Similar rules may apply where shares are owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Resident Holders to whom these rules may be relevant should consult their own advisors.

Dividends on Metallica Shares

A Resident Holder will be required to include in computing income for a taxation year the amount of dividends, if any, received or deemed to be received in respect of Metallica Shares, including amounts withheld for foreign withholding tax, if any. For individuals (including a trust), such dividends will not be subject to the gross-up and dividend tax credit rules under the Tax Act normally applicable to taxable dividends received by an individual from a taxable Canadian corporation. A Resident Holder that is a corporation will generally not be entitled to deduct the amount of such dividends in computing its taxable income.

Subject to the detailed rules in the Tax Act, a Resident Holder may be entitled to a foreign tax credit or deduction for any foreign withholding tax paid with respect to dividends received by Resident Holders on the Metallica Shares. Resident Holders should consult their own tax advisors with respect to the availability of a foreign tax credit or deduction having regard to their own particular circumstances.

Dispositions of Metallica Shares

A Resident Holder that disposes or is deemed to dispose of Metallica Shares in a taxation year will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Metallica Shares exceed (or are exceeded by) the aggregate of the Resident Holder's adjusted cost base of such Metallica Shares, determined immediately before the disposition, and any reasonable costs of disposition. The Resident Holder will be required to include any resulting taxable capital gain in income, or be entitled to deduct any resulting allowable capital loss, generally in accordance with the usual rules applicable to capital gains and capital losses. See “*Taxation of Capital Gains and Capital Losses*” above.

Alternative Minimum Tax

A capital gain realized, or a dividend received, by a Resident Holder who is an individual (including certain trusts) may give rise to liability for alternative minimum tax under the Tax Act.

Additional Refundable Tax on Canadian-Controlled Private Corporations

A Resident Holder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be required to pay an additional tax (refundable in certain circumstances) on certain investment income, which includes taxable capital gains and dividends or deemed dividends not deductible in computing taxable income.

Foreign Property Information Reporting

Generally, a Resident Holder that is a “specified Canadian entity” (as defined in the Tax Act) for a taxation year or a fiscal period and whose total “cost amount” of “specified foreign property” (as such terms are defined in the Tax Act), including M, at any time in the year or fiscal period exceeds \$100,000 will be required to file an information return for the year or period disclosing prescribed information. Subject to certain exceptions, a Resident Holder generally will be a specified Canadian entity. The Metallica Shares will be “specified foreign property” of a Resident Holder for these purposes. Resident Holders should consult their own tax advisors regarding compliance with these reporting requirements.

Offshore Investment Fund Property

The Tax Act contains rules which may require a taxpayer to include in income in each taxation year an amount in respect of the holding of an “offshore investment fund property”. These rules could apply to a Holder in respect of Metallica Shares if both of two conditions are satisfied. The first condition for such rules to apply is that the value of the Metallica Share may reasonably be considered to be derived, directly or indirectly, primarily from portfolio investments in: (i) shares of one or more corporations, (ii) indebtedness or annuities, (iii) interests in one or more corporations, trusts, partnerships, organizations, funds or entities, (iv) commodities, (v) real estate, (vi) Canadian or foreign resource properties, (vii) currency of a country other than Canada, (viii) rights or options to acquire or dispose of any of the foregoing, or (ix) any combination of the foregoing (“Investment Assets”).

The second condition for such rules to apply to a Resident Holder is that it must be reasonable to conclude that one of the main reasons for the Resident Holder acquiring or holding a Metallica Share was to derive a benefit from portfolio investments in Investment Assets in such a manner that the taxes, if any, on the income, profits and gains from such Investment Assets for any particular year are significantly less than the tax that would have been applicable under Part I of the Tax Act had the income, profits and gains been earned directly by the Resident Holder.

If applicable, these rules would generally require a Resident Holder to include in income for each taxation year in which the Resident Holder owns a Metallica Share (i) an imputed return for the taxation year computed on a monthly basis and determined by multiplying the Resident Holder’s “designated cost” (as defined in the Tax Act) of the Offered Security at the end of the month, by 1/12th of the sum of the applicable prescribed rate for the period that includes such month plus 2%, less (ii) the Resident Holder’s income for the year (other than a capital gain) from the Metallica Share determined without reference to these rules. Any amount required to be included in computing a Resident Holder’s income under these provisions will be added to the adjusted cost base to the Resident Holder of the applicable Metallica Share.

These rules are complex and their application depends, to a large extent, in part, on the reasons for a Resident Holder acquiring or holding Metallica Shares. Resident Holders are urged to consult their own tax advisors regarding the application and consequences of these rules in their own particular circumstances.

Eligibility for Investment by Registered Plans

Based on the current provisions of the Tax Act in force as of the date hereof, Metallica Shares will be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a registered disability savings plan and a tax-free savings account, each as defined in the Tax Act (“**Registered Plans**”) and a deferred profit sharing plan, if the Metallica Shares are listed on a designated stock exchange for purposes of the Tax Act (which currently includes the ASX) at the Effective Time of the Arrangement.

Notwithstanding that Metallica Shares may be qualified investments for a Registered Plan, a beneficiary, annuitant, or subscriber, as the case may be, (each a “**Plan Holder**”), will be subject to a penalty tax on such shares if such shares are a “prohibited investment” for the Registered Plan. Metallica Shares will generally be a “prohibited investment” if the Plan Holder does not deal at arm’s length with Metallica for purposes of the Tax Act and has a “significant interest” (as defined in the Tax Act) in Metallica. Plan Holders are advised to consult their own tax advisors with respect to whether Metallica Shares are “prohibited investments” in their particular circumstances and the tax consequences of Metallica Shares being acquired or held by a Registered Plan.

Dissenting Resident Holders

A Resident Holder who validly exercises Dissent Rights (a “**Resident Dissenter**”) and consequently is paid the fair value of the Resident Dissenter’s Melior Shares in accordance with the Arrangement will realize a capital gain (or a capital loss) equal to the amount by which the payment (other than any interest) exceeds (or is exceeded by) the aggregate of the Resident Holder’s adjusted cost base of the Melior Shares determined immediately before the Effective Time and any reasonable costs of disposition. The Resident Dissenter will be required to include any resulting taxable capital gain in income, or be entitled to deduct any resulting allowable capital loss, generally in accordance with the usual rules applicable to capital gains and losses. See “*Taxation of Capital Gains and Capital Losses*” above.

A Resident Dissenter must include in computing its income any interest awarded to it by a court.

Holders Not Resident in Canada

This portion of the summary applies to a Holder (as defined above) who, for the purposes of the Tax Act and at all relevant times, is not, and is not deemed to be, resident in Canada and does not use or hold, and is not deemed to use or hold, Melior Shares or Metallica Shares in connection with carrying on a business in Canada (a “**Non-Resident Holder**”). Special rules, which are not discussed in this summary, may apply to a Holder that is an insurer carrying on business in Canada and elsewhere.

Exchange of Melior Shares for Metallica Shares under the Arrangement and Subsequent Disposition of Metallica Shares

A Non-Resident Holder whose Melior Shares are exchanged for Metallica Shares under the Arrangement should not be subject to tax under the Tax Act on any capital gain realized on such exchange unless the Melior Shares are “taxable Canadian property” to the Non-Resident Holder at the Effective Time and the Melior Shares are not “treaty-protected property” (as defined in the Tax Act) of the Non-Resident Holder at the time of the exchange. Similarly, any capital gain realized by a Non-Resident Holder on a disposition or deemed disposition of Metallica Shares acquired under the Arrangement should not be subject to tax under the Tax Act unless the Metallica Shares are “taxable Canadian property” to the Non-Resident Holder at the time of the disposition and the shares are not “treaty-protected property” of the Non-Resident Holder at the time of disposition.

In general terms, Melior Shares and Metallica Shares will not be “taxable Canadian property” to a Non-Resident Holder at a particular time provided that the Melior Shares or the Metallica Shares (as the case may be) are listed on a “designated stock exchange” as defined in the Tax Act at the relevant time (which currently includes the TSX-V and ASX) unless, at any time during the 60 month period immediately preceding the disposition, (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm’s length, one or more partnerships in which the Non-Resident Holder or persons with whom the Non-Resident Holder did not deal at arm’s length holds a membership interest (either directly or indirectly through one or more partnerships), or the Non-Resident Holder together with all such persons (as the case may be), owned 25% or more of the issued shares of any class or series of shares of the capital stock of Melior or Metallica; and (ii) more than 50% of the fair market value of the relevant share or shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act) or timber resource properties (as defined in the Tax Act), and options in respect of, or interests in, or for civil law rights in, any such properties (whether or not such property exists). In addition, Melior Shares or Metallica Shares may be deemed to be “taxable Canadian property” under certain provisions of the Tax Act.

In the event Melior Shares or Metallica Shares, as the case may be, are taxable Canadian property to a Non-Resident Holder at the time of disposition and are not treaty-protected property of the Non-Resident Holder at that time, the tax consequences to the Non-Resident Holder of the disposition of the Melior Shares or Metallica Shares will be similar to those of a Resident Holder, and the taxation of the capital gain or loss will generally be as described above under “*Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*”. Additionally, certain compliance and notification steps may be required to be undertaken with CRA. Holders for whom Melior Shares or Metallica Shares may constitute taxable Canadian property should consult with their own tax advisors in this regard, and with regard to applicable compliance requirements.

Dissenting Non-Resident Holders

A Non-Resident Holder that validly exercises Dissent Rights (a “**Non-Resident Dissenter**”) and consequently is paid the fair value for the Non-Resident Dissenter’s Melior Shares will generally realize a capital gain or capital loss as discussed above under “*Holders Resident in Canada – Dissenting Resident Holders*”. As discussed above under “*Holders Not Resident in Canada – Exchange of Melior Shares for Metallica Shares under the Arrangement and Subsequent Disposition of Metallica Shares*”, any resulting capital gain would only be subject to tax under the Tax Act if the Melior Shares are taxable Canadian property to the Non-Resident Holder at the Effective Time and are not treaty-protected property of the Non-Resident Holder at that time.

An amount paid in respect of interest awarded by the court to a Non-Resident Dissenter will not be subject to Canadian withholding tax under the Tax Act.

INFORMATION CONCERNING MELIOR

About Melior

Melior is a British Columbia company that is the owner and operator of the Goondicum ilmenite and apatite mine strategically located in Queensland, Australia. Melior is incorporated under the provisions of the BCBCA and has a registered office in Vancouver, British Columbia. The Melior Shares are listed on the TSX-V under the symbol “MLR”.

Melior is a reporting issuer in each of the Provinces of British Columbia, Alberta, Manitoba and Ontario. On May 15, 2014, the Corporation completed the acquisition of 100% of the issued and outstanding shares of Goondicum, an Australian incorporated company that owned the Goondicum Mine. The Goondicum Mine, located in Queensland Australia, is an ilmenite and apatite mining and processing facility near the town of Monto in Queensland, Australia. The Goondicum Mine is expected to commence production in November 2018.

For further information regarding Melior and its business, please refer to Melior’s disclosure under its SEDAR profile at www.sedar.com. Financial and other information of Melior is provided in its audited consolidated financial statements and management’s discussion and analysis for the period ended June 30, 2018, which can be found under Melior’s SEDAR profile at www.sedar.com.

Description of Share Capital, Melior Options and Melior Warrants

The authorized share capital of Melior consists of an unlimited number of Melior Shares and an unlimited number of preferred shares, issuable in series. As at the Record Date, Melior had 28,979,963 Melior Shares, 1,866,666 Melior Options (each exercisable for one Melior Share) and 4,874,750 Melior Warrants (each exercisable for one Melior Share) issued and outstanding. No preferred shares are currently issued and outstanding.

Each Melior Share entitles the holder to: (a) receive dividends, if, as and when declared by the Melior’s Board; (b) receive notice of and to attend all annual and special meetings of Melior Shareholders and to receive one vote in respect of each Melior Share held at all such meetings; and (c) in the event of liquidation, dissolution or winding up, or other distribution of the assets among the Melior Shareholders for the purpose of winding up the affairs of Melior, participate in the distribution, which will be made in equal amounts per Melior Share on all Melior Shares at the time outstanding.

Previous Purchases and Sale

No securities of Melior were purchased or sold by Melior during the twelve months preceding the date of this Circular, excluding any securities purchased or sold pursuant to the exercise of employee stock options and an aggregate of 16,247,500 units of Melior (“**Units**”) issued by Melior for aggregate gross proceeds of \$1,299,800 pursuant to a private placement offering of Units completed on January 25, 2018 and February 1, 2018. The Units were comprised of one Melior Share and one Melior Warrant.

Market Price and Trading Volume

Melior Shares are listed on the TSX-V under the symbol “MLR”. The closing share price of Melior Shares on September 11, 2018, the last day on which the Melior Shares traded on the TSX-V prior to the announcement of the execution of the Arrangement Agreement, was \$0.84. The following table sets forth the price range for and the volume history of the Melior Shares as reported by the TSX-V for the periods indicated:

	High (\$)	Low (\$)	Total Monthly Trading Volume
2017			
October	0.90	0.30	207,340
November	1.40	0.90	330,080
December	1.20	0.95	245,510
2018			
January	1.45	1.10	302,600
February	1.35	0.90	135,970
March	1.20	1.00	75,950
April	1.35	0.75	330,130
May	1.25	0.75	318,280
June	0.90	0.75	124,250
July	1.03	0.85	59,830
August	0.90	0.80	7,600
September	0.84	0.70	71,410
October 1 to 24	0.70	0.60	179,794

The Melior Shares are expected to be de-listed from the TSX-V as soon as practicable following the Effective Date. Metallica will, prior to the Effective Time, seek conditional approval from the ASX to list the Metallica Shares comprising the Share Consideration on the ASX.

Dividends Policy

Melior has paid no dividends on its Melior Shares since its incorporation and does not anticipate doing so in the foreseeable future, although there are no restrictions that could prevent Melior from paying dividends except as set out in Section 4.1(i) of the Arrangement Agreement.

Material Changes to the Affairs of Melior

To the knowledge of the directors and officers of Melior and except as publicly disclosed or otherwise described in this Circular, there are no plans or proposals for material changes in the affairs of Melior.

Expenses of the Arrangement

Each of the parties to the Arrangement Agreement are responsible for all of their own legal, financial advisory and other transaction fees and expenses incurred in connection with, or incidental to, the Arrangement Agreement and the Plan of Arrangement, whether arising before or after the execution of the Arrangement Agreement.

The estimated fees, costs and expenses of Melior in connection with the Arrangement, including without limitation, financial advisors’ fees, filing fees, legal and accounting fees, and printing and mailing costs, are anticipated to be approximately \$800,000, based on certain assumptions of Melior.

Previous Distributions

The following table sets out the Melior Shares that were distributed by Melior during the five years preceding the date of this Circular:

Date of Distribution	Type of Distribution	Number of Melior Shares	Purchase or Exercise Price per Melior Share (\$)	Aggregate Proceeds (\$)
May 15, 2014	Acquisition	3,808,797	Nil	Nil
December 20, 2016	Private Placement	6,000,000	0.30	1,800,000
January 10, 2018	Options Exercised	208,333	0.60	125,000
January 25, 2018	Private Placement	1,328,750	0.80	1,063,000
February 1, 2018	Private Placement	296,000	0.80	237,000

STATEMENT OF RIGHTS

Securities legislation in the provinces and territories of Canada provides security holders of Melior with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or notice that is required to be delivered to those security holders. However, such rights must be exercised within prescribed time limits. Security holders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer.

INFORMATION CONCERNING METALICA BEFORE AND AFTER THE ARRANGEMENT

Metallica is an Australian-based exploration company holding a portfolio of properties in Australia.

Metallica Shares are listed on the ASX under the symbol “MLM”. See Appendix “F” – *Information Concerning Metallica*, Appendix “H” – *2018, 2017 and 2016 Annual Financial Reports of Metallica* and Appendix “G” – *Information Concerning Metallica Following the Arrangement* and Appendix “I” – *Pro Forma Financial Statements* for additional information concerning Metallica currently and following completion of the Arrangement.

GENERAL INFORMATION

Experts

KPMG was retained by the Special Committee to provide the Fairness Opinion with respect to the Arrangement which is attached to this Circular as Appendix “D”.

MNP LLP, Chartered Accountants, prepared the independent auditor’s report for the audited annual consolidated financial statements of Melior for the years ended June 30, 2018 and June 30, 2017. MNP LLP, Melior’s auditor, is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

To the knowledge of Melior, none of the experts above or their respective associates or affiliates, including the directors and officers of KPMG, beneficially owns, directly or indirectly, any securities of Melior as of the date hereof, has received or will receive any direct or indirect interests in the property of Melior or is expected to be elected, appointed or employed as a director, officer or employee of Melior or Metallica or any associate or affiliate thereof.

Other Material Facts

To management of Melior's knowledge, there are no other material facts relating to the Arrangement that are not otherwise disclosed in this Circular or are necessary for the Circular to contain full, true and plain disclosure of all material facts relating to the Arrangement.

Additional Information

Additional information relating to Melior is on SEDAR (www.sedar.com) under Melior's issuer profile. Financial and other information of Melior is provided in its audited consolidated financial statements and management's discussion and analysis for the period ended June 30, 2018, which can be found under Melior's SEDAR profile at www.sedar.com. Melior Shareholders may contact Melior at its registered offices at Suite 1700, Park Place, 666 Burrard Street, Vancouver, British, Columbia, V6C 2X8 to request copies of Melior's financial statements and MD&A or a copy of this Circular, or any of the Melior documents incorporated herein by reference.

Additional Business

As of the date of this Circular, the Melior Board does not know of any other matters to be brought to the Melior Meeting, other than those set forth in the Notice of Meeting accompanying this Circular. If other matters are properly brought before the Melior Meeting, the persons named in the enclosed proxy will vote the proxy on such matters in accordance with their best judgment.

Board Approval

The contents and sending of this Circular, including the Notice of Meeting, have been approved and authorized by the Melior Board. The information contained herein concerning Metallica has been provided solely by Metallica for inclusion herein and Melior and its officers and directors assume no responsibility for the accuracy or completeness of such information or any information derived therefrom. Subject to this exception, this Circular, together with the appendices, which are incorporated herein and form a part hereof, contain no untrue statement of a material fact and do not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

October 25, 2018

BY THE ORDER OF THE BOARD OF DIRECTORS

(Signed) "*Mark McCauley*"
Mark McCauley
Chief Executive Officer

CONSENT OF KPMG

To: The Board of Directors of Melior Resources Inc.

We refer to the fairness opinion dated September 11, 2018 (the “**KPMG Financial Fairness Opinion**”) which we prepared for the Board of Directors of Melior Resources Inc. (“**Melior**”) in connection with the plan of arrangement involving Melior and Metallica Minerals Limited (“**Metallica**”). We consent to the filing of the KPMG Financial Fairness Opinion with the securities regulatory authorities, the inclusion of summaries of the KPMG Financial Fairness Opinion as well as copies of the KPMG Financial Fairness Opinion in the management information circular of Melior dated October 25, 2018 (the “**Circular**”), and all references to the KPMG Financial Fairness Opinion in the Circular.

DATED at Vancouver, British Columbia as of this 25th day of October, 2018.

(Signed) “KPMG LLP”

KPMG LLP

APPENDIX “A”

ARRANGEMENT RESOLUTION

BE IT RESOLVED, AS A SPECIAL RESOLUTION THAT:

1. The arrangement (as may be modified or amended, the “**Arrangement**”) under Section 288 of the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) involving Melior Resources Inc. (“**Melior**”), all as more particularly described and set forth in the management information circular of Melior dated October 25, 2018 (the “**Circular**”), accompanying the notice of this meeting (as the Arrangement may be modified or amended), is hereby authorized, approved and adopted;
2. The plan of arrangement, as it may be or has been modified or amended (the “**Plan of Arrangement**”), involving Melior and implementing the Arrangement, the full text of which is set out in Appendix “B” to the Circular (as such Plan of Arrangement may be, or may have been, modified or amended), is hereby approved and adopted;
3. The arrangement agreement between Melior and Metallica Minerals Limited (ACN 076 696 092) (“**Metallica**”) dated September 12, 2018 (the “**Arrangement Agreement**”) and all the transactions contemplated therein, the actions of the directors of Melior in approving the Arrangement and the actions of the officers of Melior in executing and delivering the Arrangement Agreement and any amendments thereto and causing the performance by Melior of its obligations thereunder be and are hereby confirmed, ratified, authorized and approved;
4. Notwithstanding that this resolution has been passed in accordance with its stated terms (and the Arrangement adopted) by the Melior Shareholders or that the Arrangement has been approved by the Supreme Court of British Columbia, the directors of Melior are hereby authorized and empowered, without further notice to, or approval of, the Melior Shareholders:
 - (a) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement; or
 - (b) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement; and
5. Any one or more directors or officers of Melior is or are hereby authorized, for and on behalf and in the name of Melior, to execute and deliver, whether under corporate seal of Melior or not, all such agreements, forms, waivers, notices, certificates, confirmations and other documents and instruments and to do or cause to be done all such other acts and things as in the opinion of such director or officer, may be necessary, desirable or useful for the purpose of giving effect to these resolutions, the Arrangement Agreement and the completion of the Plan of Arrangement in accordance with the terms of the Arrangement Agreement, including:
 - (a) all actions required to be taken by or on behalf of Melior, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities; and
 - (b) the signing of the certificates, consents and other documents or declarations required under the Arrangement Agreement or otherwise to be entered into by Melior;

such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing, by that director or officer, or by those directors or officers, of Melior.

APPENDIX “B”

**PLAN OF ARRANGEMENT UNDER PART 9, DIVISION 5
OF THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA)**

**ARTICLE 1
DEFINITIONS AND INTERPRETATION**

1.01 Definitions

In this Plan of Arrangement, unless the context otherwise requires, the following words and terms with the initial letter or letters thereof capitalized shall have the meanings ascribed to them below:

“**1933 Act**” means the Securities Act of 1933, as amended, of the United States of America.

“**Arrangement**” means the arrangement under the provisions of Part 9, Division 5 of the BCBCA, on the terms and conditions set forth in this Plan of Arrangement, subject to any amendment or supplement hereto made in accordance with the Arrangement Agreement and the provisions hereof or made at the direction of the Court in the Final Order, with the written consent of Metallica and Melior, acting reasonably;

“**Arrangement Agreement**” means the arrangement agreement dated as of September 12, 2018 between Melior and Metallica, as amended or supplemented prior to the Effective Date, entered into in connection with the Arrangement;

“**Arrangement Application**” means the arrangement application to be filed with the Registrar by Melior that includes all records required to be filed with the Registrar to give effect to each provision of the Arrangement, including an entered copy of the Final Order;

“**Arrangement Resolution**” means the special resolution of Melior Shareholders approving the Arrangement as required by the Interim Order;

“**ASX**” means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as appropriate;

“**ASX Listing Rules**” means the listing rules of ASX, as may be waived or modified by ASX from time to time;

“**BCBCA**” means the *Business Corporations Act* (British Columbia) and the regulations made thereunder, as promulgated or amended from time to time;

“**Business Day**” means any day, other than a Saturday, a Sunday or a statutory or civic holiday in Toronto, Ontario or Brisbane, Queensland;

“**Court**” means the Supreme Court of British Columbia;

“**Depository**” means the trust company, bank or financial institution agreed to in writing by Metallica and Melior for the purpose of, among other things, facilitating the exchange of certificates representing Melior Shares for the distribution of Metallica Shares in connection with the Arrangement;

“**Dissent Procedures**” means the procedures set forth in Sections 242 to 247 of the BCBCA required to be taken by a registered holder of Melior Shares to exercise the right of dissent in respect of such Melior Shares in connection with the Arrangement;

“**Dissenting Shareholders**” means the registered holders of Melior Shares who dissent in respect of the Arrangement in strict compliance with the Dissent Procedures;

“DRS Statement” means statement issued by the applicable transfer agent evidencing the shares held by a shareholder in book-based form, in lieu of a physical share certificate;

“Effective Date” means the date a certified copy of the Final Order has been filed with the Registrar, together with the Arrangement Application, which shall be the date upon which all conditions precedent (excluding conditions that, by their terms cannot be settled until the Effective Date) to the completion of the Arrangement as set out in the Arrangement Agreement have been satisfied or waived in accordance therewith, or such other date as may be agreed to by Melior and Metallica in writing as the effective date of the Arrangement;

“Effective Time” means 12:01 a.m. (Vancouver time) on the Effective Date;

“Encumbrance” any hypothecs, mortgages, pledges, assignments, liens, charges, security interests, encumbrances and adverse rights or claims, other third Person interests or encumbrances of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by Law, contract or otherwise) capable of becoming any of the foregoing;

“Exchange Rate” means the \$ to A\$ daily exchange rate on the date of this Agreement as reported by the Bank of Canada;

“Exchange Ratio” means 20, which is the number representing the Share Consideration;

“Final Order” means the final order of the Court pursuant to Section 291 of the BCBCA, approving the Arrangement, as such order may be amended by the Court, with the consent of Melior and Metallica at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;

“Financial Advisor” means Argonaut Capital Limited;

“Former Melior Shareholders” means the holders of Melior Shares immediately prior to the Effective Time;

“Interim Order” means the interim order of the Court, in a form acceptable to Melior and Metallica, each acting reasonably, providing for, among other things, the calling and holding of the Melior Meeting, as such order may be amended, supplemented or varied by the Court (with the consent of Melior and Metallica, each acting reasonably);

“Letter of Transmittal” means the letter of transmittal to be sent by Melior to the Former Melior Shareholders to be used by the Former Melior Shareholders to surrender the certificates representing their Melior Shares to receive the Metallica Shares issued to them pursuant to the Arrangement;

“Melior” means Melior Resources Inc., a corporation existing under the BCBCA;

“Melior Meeting” means the special meeting, including any adjournments or postponements thereof, of the holders of Melior Shares held, among other things, to consider and, if deemed advisable, approve the Arrangement;

“Melior Options” means the outstanding options to purchase an aggregate of up to 866,666 Melior Shares issued pursuant to the Melior Stock Option Plan and the options to purchase up to 1,000,000 Melior Shares proposed to be issued to the Financial Advisor as contemplated by section 4.1(t) of the Arrangement Agreement;

“Melior Securityholders” means, collectively, the Melior Shareholders, the holders of Melior Options and the holders of Melior Warrants;

“Melior Shares” means the common shares in the capital of Melior;

“Melior Stock Option Plan” means the stock option plan of Melior dated October 17, 2006, as amended on September 28, 2007, November 15, 2010, October 27, 2011 and January 22, 2016;

“Melior Warrants” means the outstanding warrants to purchase an aggregate of up to 4,874,750 Melior Shares;

“Metallica” means Metallica Minerals Limited, a company incorporated under the Laws of the Commonwealth of Australia;

“Metallica Replacement Option” has the meaning ascribed thereto in section 3.01(b) hereof;

“Metallica Replacement Warrant” has the meaning ascribed thereto in section 3.01(d) hereof;

“Metallica Shares” means the ordinary shares in the capital of Metallica;

“New Board” has the meaning ascribed thereto in section 3.02(e) hereof;

“Plan of Arrangement” means this plan of arrangement, as amended, modified or supplemented from time to time in accordance herewith and with any order of the Court;

“Proxy Circular” means the management information circular, including all schedules and exhibits thereto, prepared by Melior with the assistance of Metallica in respect of the Melior Meeting;

“Registrar” means the Registrar of Companies appointed pursuant to Section 400 of the BCBCA;

“Section 3(a)(10) Exemption” means the exemption from the registration requirements of the 1933 Act provided under Section 3(a)(10) thereof; and

“Share Consideration” means 20 Metallica Shares in exchange for each Melior Share outstanding immediately prior to the Effective Time.

In addition, words and phrases used herein and defined in the BCBCA shall have the same meaning herein as in the BCBCA unless the context otherwise requires.

1.02 Interpretation Not Affected by Headings

The division of this Plan of Arrangement into articles, sections, paragraphs and subparagraphs and the insertion of headings herein are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement. The terms “this Plan of Arrangement”, “hereof”, “herein”, “hereto”, “hereunder” and similar expressions refer to this Plan of Arrangement and not to any particular article, section or other portion hereof and include any instrument supplementary or ancillary hereto.

1.03 Number, Gender and Persons

In this Plan of Arrangement, unless the context otherwise requires, words importing the singular shall include the plural and vice versa, words importing the use of either gender shall include both genders and neuter and the word person and words importing persons shall include a natural person, firm, trust, partnership, association, corporation, joint venture or government (including any governmental agency, political subdivision or instrumentality thereof) and any other entity of any kind or nature whatsoever.

1.04 Date for any Action

If the date on which any action is required to be taken hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.05 Statutory References

Any reference in this Plan of Arrangement to a statute includes all regulations made thereunder, all amendments to such statute or regulation in force from time to time and any statute or regulation that supplements or supersedes such statute or regulation.

1.06 Time

Time shall be of the essence in every matter or action contemplated hereunder.

1.07 Currency

Unless otherwise stated, all references herein to amounts of money are expressed in lawful money of Canada.

ARTICLE 2 ARRANGEMENT AGREEMENT

2.01 Arrangement Agreement

This Plan of Arrangement is made pursuant to, and is subject to the provisions of, the Arrangement Agreement.

2.02 Effect of Arrangement

This Plan of Arrangement will become effective at, and be binding at and after the Effective Time on Metallica, Melior, the Former Melior Shareholders, the holders of Melior Options and the holders of Melior Warrants.

ARTICLE 3 ARRANGEMENT

3.01 Arrangement

At the Effective Time, the following shall occur and shall be deemed to occur in the following order without any further act or formality:

- (a) each Melior Share in respect of which Dissent Procedures have been exercised shall be deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all liens, claims and encumbrances, to Metallica, with Metallica being obliged to pay therefor the amount determined and payable in accordance with Article 4 hereof, and the name of such holder will be removed from the register of holders of Melior Shares and Metallica will be recorded as the registered holder of the Melior Shares so transferred and will be deemed to be the legal and beneficial owner of such Melior Shares;
- (b) each Melior Share (other than Melior Shares acquired by Metallica in accordance with subsection (a)) held by Former Melior Shareholders (other than Dissenting Shareholders) shall be exchanged with Metallica for Metallica Shares on the basis of the Exchange Ratio, subject to Sections 3.03 and 4.01 hereof, and Metallica shall be recorded as the registered holder of the Melior Shares so transferred and shall be deemed to be the legal and beneficial owner of such Melior Shares free and clear of any Encumbrances. Each Former Melior Shareholder shall cease to be a holder of Melior Shares and the name of such holder shall be removed from the securities register of holders of Melior Shares and each Former Melior Shareholder shall be added to the securities register of holders of Metallica Shares showing such holder as the registered holder of the Metallica Shares so issued;

- (c) each Melior Option outstanding immediately prior to the Effective Time shall be exchanged for an ordinary share purchase option of Metallica (each, a “**Metallica Replacement Option**”), which shall be exercisable to acquire, on the same terms and conditions as were applicable to such Melior Option immediately prior to the Effective Time, the number of Metallica Shares (rounded down to the nearest whole number) equal to the product of: (A) the number of Melior Shares subject to such Melior Option immediately prior to the Effective Time, and (B) the Exchange Ratio. The exercise price per Metallica Share subject to any such Metallica Replacement Option shall be an amount (rounded up to the nearest tenth of a cent) equal to the quotient of: (A) the exercise price per Melior Share subject to such Melior Option immediately prior to the Effective Time, divided by (B) the Exchange Ratio, converted to A\$ at the Exchange Rate. The obligations of Melior under the Melior Options as so exchanged shall be assumed by Metallica. Except as set out above and subject to any requirements necessary to conform with ASX Listing Rules, the term to expiry, conditions to and manner of exercise (provided any Metallica Replacement Option shall be exercisable at the offices of Metallica) and other terms and conditions of each of the Metallica Replacement Options shall be the same as the terms and conditions of the Melior Option for which it is exchanged and, for greater certainty, each Metallica Replacement Option shall continue to be governed by and be subject to the terms of the Melior Stock Option Plan and the agreement evidencing the grant of such Melior Option with respect to such terms and conditions, except for the Melior Options issuable to the Financial Advisor which shall continue to be governed by and subject to the terms of the agreement evidencing the grant of such Melior Options but not the Melior Stock Option Plan.
- (d) each Melior Warrant outstanding immediately prior to the Effective Time shall be exchanged for an ordinary share purchase option of Metallica (each, a “**Metallica Replacement Warrant**”), which shall be exercisable to acquire, on the same terms and conditions as were applicable to such Melior Warrant immediately prior to the Effective Time, the number of Metallica Shares (rounded down to the nearest whole number) equal to the product of: (A) the number of Melior Shares subject to such Melior Warrant immediately prior to the Effective Time; and (B) the Exchange Ratio. The exercise price per Metallica Share subject to any such Metallica Replacement Warrants shall be an amount (rounded up to the nearest tenth of a cent) equal to the quotient of: (A) the exercise price per Melior Share subject to such Melior Warrant immediately prior to the Effective Time, divided by (B) the Exchange Ratio, converted to A\$ at the Exchange Rate. The obligations of Melior under the Melior Warrants as so exchanged shall be assumed by Metallica. Except as set out above and subject to any requirements necessary to conform with ASX Listing Rules, the term to expiry, conditions to and manner of exercise (provided any Metallica Replacement Warrant shall be exercisable at the offices of Metallica) and other terms and conditions of each of the Metallica Replacement Warrants shall be the same as the terms and conditions of the Melior Warrant for which it is exchanged.

3.02 Post-Effective Time Procedures

- (a) On or promptly after the Effective Date, Metallica shall issue from treasury the Metallica Shares required to be issued to Former Melior Shareholders in accordance with the provisions of section 3.01 hereof, which Metallica Shares shall be held by the Depositary as agent and nominee for such Former Melior Shareholders for distribution to such Former Melior Shareholders in accordance with the provisions of Article 5 hereof.
- (b) Subject to the provisions of Article 5 hereof, Former Melior Shareholders shall be entitled to receive evidence of ownership representing the Metallica Shares to which they are entitled pursuant to subsection 3.01(b) hereof. Certificates representing former Melior Shares, other than those to which Article 5 applies, shall represent only the right to receive the Metallica Shares to which the Former Melior Shareholder is entitled to receive pursuant to the Arrangement.

Metallica shall, as soon as practicable following the later of the Effective Date and date of deposit by a Former Melior Shareholder of a duly completed Letter of Transmittal and the certificates representing such Melior shares, forward or cause to be forwarded by first class mail (postage

prepaid) to such Former Melior Shareholder at their registered address specified in the Letter of Transmittal evidence of ownership representing the number of Metallica Shares issued to such Former Melior Shareholder under the Arrangement.

- (c) After the Effective Time, the certificates representing the former Melior Shares to which Article 4 herein applies shall represent only the right to receive payment which the Dissenting Shareholders are entitled to receive pursuant to Article 4.
- (d) Immediately after the Effective Time, the board of directors of Metallica (the “**New Board**”) shall consist of six (6) directors appointed as follows: Peter Turnbull, Simon Slesarewich, Ian Jacobson, Mark McCauley, Martyn Buttenshaw and George Lloyd who shall also be appointed Chairman of the New Board.

3.03 No Fractional Metallica Shares

No fractional Metallica Shares shall be issued to Former Melior Shareholders. Any fractional number of Metallica Shares to which a Former Melior Shareholder would otherwise be entitled to receive shall be rounded down to the nearest whole number of Metallica Shares.

3.04 U.S. Securities Law Exemption

Notwithstanding any provision herein to the contrary, Metallica and Melior agree that the Plan of Arrangement will be carried out with the intention that all Metallica Shares, Metallica Replacement Options and Metallica Replacement Warrants to be issued in connection with the Arrangement shall be exempt from registration requirements of the 1933 Act pursuant to the Section 3(a)(10) Exemption, and the Metallica Shares to be distributed in the United States pursuant to the Arrangement shall not be subject to resale restrictions in the United States under the 1933 Act (other than as may be prescribed by Rule 144 and Rule 145 under the 1933 Act).

ARTICLE 4 DISSENT PROCEDURES

4.01 Dissent Procedures

Holders of Melior Shares may exercise Dissent Procedures with respect to Melior Shares in connection with the Arrangement, provided that, notwithstanding the Dissent Procedures, the written objection to the special resolution to approve the Arrangement contemplated by Section 242 of the BCBCA must be received by Melior no later than 4:00 p.m. (Vancouver time) at least two Business Days prior to the date of the Melior Meeting or any date to which the Melior Meeting may be postponed or adjourned and such Holders of Melior Shares must otherwise comply with Sections 242 to 247 of the BCBCA, and provided further that holders who exercise such rights of dissent and who:

- (a) are ultimately entitled to be paid fair value for their Melior Shares, which fair value shall be determined as of the close of business on the day before the Final Order becomes effective, shall be paid an amount equal to such fair value by Metallica; and
- (b) are ultimately not entitled, for any reason, to be paid fair value for their Melior Shares shall be deemed to have participated in the Arrangement, as of the Effective Time, on the same basis as a non-dissenting holder of Melior Shares and shall be entitled to receive only the consideration contemplated in subsection 3.01(b) hereof which such holder would have received pursuant to the Arrangement if such holder had not exercised Dissent Procedures,

but further provided that in no case shall Metallica, Melior or any other person be required to recognize Dissenting Shareholders as holders of Melior Shares after the Effective Time, and the names of such Dissenting Shareholders shall be deleted from the register of holders of Melior Shares at the Effective Time.

ARTICLE 5
DELIVERY OF METALLICA SHARES

5.01 Delivery of Metallica Shares

Upon surrender to the Depositary, as specified in the Letter of Transmittal, for cancellation of a certificate which immediately prior to the Effective Time represented one or more outstanding Melior Shares which were exchanged for Metallica Shares in accordance with section 3.01 hereof, together with a completed Letter of Transmittal and such other documents and instruments as would have been required to effect the transfer of the Melior Shares formerly represented by such certificate and such additional documents and instruments as the Depositary may reasonably require, the holder of such surrendered certificate shall be entitled to receive in exchange therefor, and the Depositary shall facilitate the delivery to such holder following the Effective Time, of evidence of ownership representing the Metallica Shares which such holder is entitled to receive in accordance with section 3.02 hereof.

After the Effective Time and until surrendered for cancellation as contemplated by subsection 5.01(a) hereof, each certificate which immediately prior to the Effective Time represented one or more Melior Shares shall be deemed at all times to represent only the right to receive in exchange therefor evidence of ownership representing the Metallica Shares which the holder of such certificate is entitled to receive in accordance with section 5.01(a) hereof.

5.02 Lost Certificates

In the event that any certificate which immediately prior to the Effective Time represented one or more outstanding Melior Shares which were exchanged for Metallica Shares in accordance with section 3.01 hereof shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder claiming such certificate to be lost, stolen or destroyed, the Depositary shall facilitate the delivery in exchange for such lost, stolen or destroyed certificate, of evidence of ownership representing the Metallica Shares which such holder is entitled to receive in accordance with section 3.02 hereof. When authorizing such delivery of evidence of ownership representing the Metallica Shares which such holder is entitled to receive in exchange for such lost, stolen or destroyed certificate, the holder to whom the evidence of ownership representing such Metallica Shares is to be delivered shall, as a condition precedent to the delivery of such Metallica Shares, give a bond satisfactory to Metallica and the Depositary in such amount as Metallica and the Depositary may direct, and shall indemnify Metallica and the Depositary in a manner satisfactory to Metallica and the Depositary, against any claim that may be made against Metallica or the Depositary with respect to the certificate alleged to have been lost, stolen or destroyed and shall otherwise take such actions as may be required by the by-laws of Melior.

5.03 Distributions with Respect to Unsurrendered Certificates

No dividend or other distribution declared or made after the Effective Time with respect to Metallica Shares with a record date after the Effective Time shall be delivered to the holder of any unsurrendered certificate which, immediately prior to the Effective Time, represented outstanding Melior Shares unless and until the holder of such certificate shall have complied with the provisions of section 5.01 or section 5.02 hereof. Subject to applicable law and to section 5.04 hereof, at the time of such compliance, there shall, in addition to the delivery of evidence of ownership representing the Metallica Shares to which such holder is thereby entitled, be delivered to such holder, without interest, the amount of the dividend or other distribution with a record date after the Effective Time theretofore paid with respect such Metallica Shares.

5.04 Withholding Rights

Metallica and the Depositary shall be entitled to deduct and withhold from all dividends or other distributions otherwise payable to any Former Melior Shareholder such amounts as Metallica or the Depositary is required or permitted to deduct and withhold with respect to such payment under the *Income Tax Act* (Canada), the *United States Internal Revenue Code of 1986*, as amended, or any provision of any applicable federal, provincial, state, local or foreign tax law, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Former Melior Shareholder in respect of

which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

5.05 Limitation and Proscription.

To the extent that a Former Melior Shareholder shall not have complied with the provisions of section 5.01 or section 5.02 hereof on or before the date which is six years after the Effective Date (the “final proscription date”), then the Metallica Shares which such Former Melior Shareholder was entitled to receive shall be automatically cancelled without any repayment of capital in respect thereof and any remaining Metallica Shares held by the Depositary as agent and nominee for such Former Melior Shareholders shall be cancelled by Metallica, and the interest of the Former Melior Shareholder in such Metallica Shares shall be terminated as of such final proscription date.

ARTICLE 6 AMENDMENTS

6.01 Amendments to Plan of Arrangement

- (a) Metallica and Melior reserve the right to amend, modify or supplement this Plan of Arrangement at any time and from time to time, provided that each such amendment, modification or supplement must be (i) set out in writing, (ii) agreed to in writing by Metallica and Melior, (iii) filed with the Court and, if made following the Melior Meeting, approved by the Court, and (iv) communicated to Former Melior Shareholders if and as required by the Court.
- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Melior at any time prior to the Melior Meeting provided that Metallica shall have consented thereto in writing, with or without any other prior notice or communication, and, if so proposed and accepted by the persons voting at the Melior Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved by the Court following the Melior Meeting shall be effective only if (i) it is consented to in writing by each of Metallica and Melior, and (ii) if required by the Court, it is consented to by holders of the Melior Shares voting in the manner directed by the Court.

C-1

**APPENDIX “C”
INTERIM ORDER**

(see attached)



No. S1811284
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 291 OF THE BRITISH COLUMBIA *BUSINESS*
CORPORATIONS ACT, S.B.C. 2002, C.57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING
MELIOR RESOURCES INC., ITS SECURITYHOLDERS AND
METALLICA MINERALS LIMITED

MELIOR RESOURCES INC.

PETITIONER

**ORDER MADE AFTER APPLICATION
(INTERIM ORDER)**

	) THE HONOURABLE JUSTICE	
	)	)
BEFORE	) or MASTER Bauck	) 22/Oct/2018
	)	)

ON THE APPLICATION of the Petitioner, Melior Resources Inc. ("**Melior**") for an Interim Order under section 291 of the *Business Corporations Act*, S.B.C. 2002, c. 57, as amended (the "**BCBCA**") in connection with an arrangement involving Melior, its securityholders and Metallica Minerals Limited ("**Metallica**") under section 288 of the BCBCA

- ☒ without notice coming on for hearing at 800 Smithe Street, Vancouver, British Columbia on 22/Oct/2018 and on hearing Lucy H. Schilling, counsel for the Petitioners and upon reading the Affidavit No. 1 of Mark McCauley sworn on October 16, 2018 (the "**McCauley Affidavit**");

THIS COURT ORDERS that:

1. The Petitioner, Melior, be permitted to convene, hold and conduct an annual and special meeting (the "**Meeting**") of the holders (the "**Melior Shareholders**") of common shares of Melior (the "**Melior Shares**") to *inter alia* consider and, if deemed advisable, pass with or without variation, a special resolution (the

"**Arrangement Resolution**") authorizing, approving and adopting, with or without amendment, an arrangement (the "**Arrangement**") and the plan of arrangement implementing the Arrangement (the "**Plan of Arrangement**") substantially in the form included as Appendix "B" to the management information circular of Melior (the "**Circular**") which is attached as Exhibit "A" to the McCauley Affidavit, involving Melior, the securityholders of Melior and Metallica.

2. The Meeting shall be called, held and conducted on November 27, 2018, or such other date as may result from postponement or adjournment in accordance with paragraph 4 of this Interim Order, in accordance with the provisions of the BCBCA, the notice of articles and articles of Melior and applicable securities laws, and subject to the terms of this Interim Order and any further Order of this Court, and the rulings and directions of the Chair of the Meeting, such rulings and directions not to be inconsistent with this Interim Order, and to the extent of any inconsistency or discrepancy between this Interim Order and the terms of any instrument creating or governing or collateral to the Melior Shares or to which such shares are collateral, or the articles of Melior, this Interim Order shall govern.

AMENDMENTS

3. The Petitioner is authorized to make, in the manner contemplated by and subject to the Arrangement Agreement and Plan of Arrangement, as applicable, such amendments, revisions or supplements to the Arrangement Agreement, Arrangement, Plan of Arrangement, notice of annual and special meeting for the Meeting or the Circular as it may determine without any additional notice to Melior Shareholders or any further Order of this Court. The Arrangement Agreement, Arrangement and Plan of Arrangement as so amended, revised or supplemented shall be the Arrangement Agreement, Arrangement and Plan of Arrangement that are the subject of the Arrangement Resolution.

ADJOURNMENTS AND POSTPONEMENTS

4. The board of directors of Melior by resolution shall be entitled to adjourn or postpone the Meeting on one or more occasions without the necessity of first convening the Meeting or first obtaining any vote of the Melior Shareholders regarding the adjournment or postponement and without the need for approval of the Court, subject to the terms of the Arrangement Agreement. Notice of any such adjournment shall be given by press release, newspaper advertisement, or by notice sent to the Melior Shareholders by one of the methods specified in paragraph 6 of this Interim Order, as determined to be

the most appropriate method of communication by the Board of Directors of Melior.

RECORD DATE

5. The record date (the "**Record Date**") for determining Melior Shareholders entitled to receive notice of and attend at the Meeting is the close of business on October 19, 2018 or such other date as the board of directors of Melior may determine and as disclosed to the Melior Shareholders in the manner they see fit.

NOTICE OF THE MEETING

6. The following:
 - (a) notice of annual and special meeting for the Meeting;
 - (b) the Circular;
 - (c) the Plan of Arrangement;
 - (d) Notice of Petition; and
 - (e) the form of proxy or voting instruction form for use by the Melior Shareholders

(collectively, the "**Meeting Materials**"), in substantially the same form contained as Exhibits to the McCauley Affidavit, with such amendments and inclusions thereto as the directors of Melior and counsel for the Petitioners may deem necessary or desirable, provided that such amendments and inclusions are not inconsistent with the terms of this Interim Order, and this Interim Order (collectively with the Meeting Materials, the "**Mailed Materials**") shall be sent to:

- (I) the Melior Shareholders as they appear on the securities register(s) of Melior on the Record Date, such Mailed Materials to be sent at least twenty-one (21) days prior to the date of the Meeting, by one of the following methods:
 - (i) by prepaid ordinary or air-mail addressed to the Melior Shareholder at his, her, or its address as it appears on the applicable securities registers of Melior as at the Record Date;
 - (ii) by delivery in person or by delivery to the addresses specified in paragraph (i) above; or

- (iii) by email or facsimile transmission to any Melior Shareholder who identifies himself, herself or itself to the satisfaction of Melior, acting through its representatives, who requests such email or facsimile transmission;
- (II) the directors and auditors of Melior by mailing the Mailed Materials by prepaid ordinary mail, or by email or facsimile transmission, to such persons at least twenty-one (21) days prior to the date of the Meeting;
- (III) the holders of outstanding incentive stock options of Melior (the "**Melior Optionholders**") and the holders of outstanding warrants of Melior (the "**Melior Warrantholders**") as they appear on the applicable registers of Melior Optionholders and Melior Warrantholders, respectively, as at the Record Date, by mailing the Mailed Materials by prepaid ordinary mail, or by email or facsimile transmission, to such persons at least twenty-one (21) days prior to the date of the Meeting; and
- (IV) in the case of non-registered holders of common shares of Melior, by sending copies of the Mailed Materials to intermediaries and registered nominees to facilitate the distribution of the Mailed Materials to beneficial owners in accordance with National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators at least three (3) business days prior to the twenty-first (21st) day prior to the date of the Meeting;

and that sending of the Notice of Petition as herein described, shall constitute good and sufficient service of such Notice of Petition upon all who may wish to appear in these proceedings, and no other service need be made.

7. Delivery of the Mailed Materials as ordered herein shall constitute compliance with the requirements of section 290(1)(a) of the BCBCA.
8. The accidental failure or omission to give notice of the Meeting or Notice of Application to, or the non-receipt of such notices by, or any failure or omission to give such notice as a result of events beyond the reasonable control of Melior (including, without limitation, any inability to use postal services) to any one or more of the persons specified herein shall not constitute a breach of this Interim Order, or in relation to notice to the Melior Shareholders, a defect in the calling of the Meeting, and shall not invalidate any resolution passed or proceeding taken at the Meeting, but if any such failure or omission is brought to the attention of Melior then it shall use reasonable best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

9. Melior be at liberty to give notice of this application to persons outside the jurisdiction of this Court in the manner specified herein.

DEEMED RECEIPT OF NOTICE

10. The Meeting Materials shall be deemed, for the purposes of this Interim Order, to have been received:
 - (a) in the case of mailing, the day, Saturdays and holidays excepted, following the date of mailing;
 - (b) in the case of delivery in person, upon receipt thereof at the intended recipient's address or, in the case of delivery by courier, one (1) business day after receipt by the courier;
 - (c) in the case of transmission by email or facsimile, upon the transmission thereof;
 - (d) in the case of advertisement, at the time of publication of the advertisement;
 - (e) in the case of electronic filing on SEDAR, upon the transmission thereof; and
 - (f) in the case of beneficial Melior Shareholders, three (3) days after delivery thereof to intermediaries and registered nominees.

UPDATING MEETING MATERIALS

11. Notice of any amendments, updates or supplement to any of the information provided in the Meeting Materials may be communicated to the securityholders of Melior by press release, news release, newspaper advertisement or by notice sent to the securityholders by any of the means set forth in paragraph 6 herein, as determined to be the most appropriate method of communication by the Board of Directors of Melior.

QUORUM AND VOTING

12. The quorum required at the Meeting shall be the quorum required by the articles of Melior.
13. Each Melior Shareholder shall be entitled to one vote for each Melior Share held by such Melior Shareholder.
14. The vote of Melior Shareholders required to adopt the Arrangement Resolution at the Meeting shall be the affirmative vote of not less than 66⅔% of the votes

cast by Melior Shareholders who vote in person or by proxy at the Meeting and a simple majority of the votes cast by Melior Shareholders (excluding any votes attached to Melior Shares held by any person described in items (a) through (d) of section 8.1(2) of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*) who vote in person or by proxy at the Meeting.

15. The only persons entitled to vote at the Meeting or any adjournment(s) thereof either in person or by proxy shall be the registered holders of the Melior Shares as at the close of business on October 19, 2018 (and under applicable securities legislation and policies, the beneficial owners of the Melior Shares registered in the name of intermediaries). Such persons, the directors and auditors of Melior, the Melior Optionholders and the Melior Warrantheolders shall also be entitled to notice of the Meeting.

SCRUTINEER

16. A representative of Melior's registrar and transfer agent (or any agent thereof) is authorized to act as a scrutineer for the Meeting.

SOLICITATION OF PROXIES

17. Melior is authorized to use the form of proxy in connection with the Meeting, in substantially the same form contained in Exhibit "B" to the McCauley Affidavit and Melior may in its discretion waive generally the time limits for deposit of proxies by Melior Shareholders if Melior deems it reasonable to do so. Melior and Metallica are authorized, to solicit proxies, directly and through their officers, directors and employees, and through such agents or representatives as either of them may retain for that purpose, and by mail or such other forms of personal or electronic communication as either of them may determine.
18. The procedure for the use of proxies at the Meeting shall be as set out in the Meeting Materials.

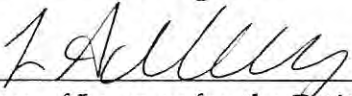
DISSENT RIGHTS

19. Each Melior Shareholder be accorded the rights of dissent with respect to the Arrangement Resolution approving the Arrangement, as set out in Division 2 of Part 8 of the BCBCA, as modified by Article 4 of the Plan of Arrangement, this Interim Order and the Final Order.

- (c) should the Court make the Final Order approving the Arrangement, the Metallica securities to be distributed under the Arrangement will be exempt from registration under the 1933 Act.
22. Any securityholder of Melior, any director or auditor of Melior, or any other interested party with leave of the Court desiring to support or oppose the application may appear and make submissions at the Final Application provided that such person must:
- (a) file a Response to Petition, in the form prescribed by the Supreme Court Civil Rules, together with any evidence or material which is to be presented to the Court at the hearing of the Final Application; and
 - (b) deliver the filed Response to Petition together with a copy of any evidence or material which is to be presented to the Court at the hearing of the Final Application, to the Petitioners' counsel at:
- DuMoulin Black LLP
Barristers and Solicitors
10th Floor, 595 Howe Street
Vancouver, BC V6C 2T5
Attention: Lucy H. Schilling
- by or before 4:30 p.m. (Vancouver time) on November 27, 2018.
23. The only persons entitled to notice of any further proceedings herein, including any hearing to sanction and approve the Arrangement, and to appear and be heard thereon, shall be the solicitors for Melior and persons who have filed and delivered a Response to Petition in accordance with this Interim Order.
24. Subject to other provisions in this Interim Order, no material other than that contained in the Circular need be served on any persons in respect of these proceedings.
25. If the Final Application is adjourned, only those persons who have filed and delivered a Response to Petition in accordance with this Order need to be served and provided with notice of the adjourned date.
26. The Petitioners shall be entitled, at any time, to apply to vary this Order.
27. Rules 8-1 and 16-1(8) - (12) will not apply to any further applications in respect of this proceeding, including the Final Application and any application to vary this Interim Order.

28. The Petitioners shall, and hereby do, have liberty to apply for such further orders as may be appropriate.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND
CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE
AS BEING BY CONSENT:



Signature of Lawyer for the Petitioner,
Melior Resources Inc.
Lawyer: Lucy H. Schilling

BY THE COURT 

Registrar 



D-1

APPENDIX “D”

FAIRNESS OPINION

(see attached)



KPMG LLP
777 Dunsmuir Street
Vancouver, BC V7Y 1K3
Tel 604-691-3000
Fax 604-691-3031
www.kpmg.ca

Private & Confidential

The Special Committee of the Board of
Directors of Melior Resources Inc.
120 Adelaide Street West, Suite 2500
Toronto, Ontario
M5H 1T1 Canada

September 11, 2018

To the Special Committee of the Board of Directors:

INTRODUCTION

KPMG LLP ("KPMG") understands that Melior Resources Inc. ("**Melior**" or the "**Company**") intends to enter into an arrangement agreement (the "**Arrangement Agreement**") under the Business Corporations Act (British Columbia), pursuant to which Melior will merge with Metallica Minerals Limited ("**Metallica**"). Under the terms of proposed transaction (the "**Proposed Transaction**") the current shareholders of Melior (the "**Shareholders**") will exchange each of their Melior shares for Metallica shares in accordance with a 20:1 exchange ratio (the "**Exchange Ratio**"), where the Shareholders will receive 20 Metallica shares for each Melior share held (the "**Consideration**"). On completion of the Proposed Transaction, the Shareholders will hold approximately 64% of the merged entity, with the current Metallica shareholders owning the remaining 36% (approximately).

The terms and conditions of the Proposed Transaction will be fully described in Melior's management information circular (the "**Circular**"), which will be mailed to the Shareholders in connection with a special meeting of the Shareholders to be held to consider and, if deemed advisable, approve the Proposed Transaction.

The Board of Directors of Melior (the "**Board**") has formed a special committee of independent directors (the "**Special Committee**") to consider the Proposed Transaction and to make recommendations to the Board with respect thereto. KPMG has been engaged by the Special Committee to review the terms of the Proposed Transaction and to provide the Special Committee and the Board with a written opinion (the "**Fairness Opinion**") as to the fairness of the terms of the Proposed Transaction, from a financial point of view, to the Shareholders.

The Fairness Opinion has been prepared in accordance with the Disclosure Standards for Fairness Opinions of the Investment Industry Regulatory Organization of Canada ("**IIROC**"), as well as the Practice Standards of The Canadian Institute of Chartered Business Valuators ("**CICBV**"), but neither IIROC nor the CICBV has been involved in the preparation or review of the Fairness Opinion.

ENGAGEMENT OF KPMG

KPMG was formally engaged by the Special Committee to provide the Fairness Opinion pursuant to an engagement letter dated August 1, 2018 (the “**Engagement Agreement**”). KPMG will be paid a fixed fee for rendering the Fairness Opinion and will be reimbursed for its reasonable out-of-pocket expenses to complete the Fairness Opinion. Melior has also agreed to indemnify KPMG in respect of certain liabilities which may be incurred by KPMG in connection with the provision of its services. No part of KPMG's fee is contingent upon the conclusions reached in the Fairness Opinion or on the successful completion of the Proposed Transaction.

KPMG has not been engaged to prepare, and has not prepared, a valuation or appraisal of Melior or Metallica, or any of their respective assets, securities or liabilities (whether on a standalone basis or as a merged entity) and the Fairness Opinion should not be construed as such. KPMG was similarly not engaged to review any legal, regulatory, tax or accounting aspects of the Proposed Transaction and accordingly expresses no views thereon. We understand the Proposed Transaction is not subject to the formal valuation requirements under *Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”).

Subject to the terms of the Engagement Agreement, KPMG consents to the inclusion of the Fairness Opinion in the information circular of the Company, with a summary thereof, and to the filing thereof by the Company with the applicable Canadian securities regulatory authorities.

CREDENTIALS OF KPMG

KPMG is one of the world's largest professional services firms, offering a broad range of services. KPMG's valuation professionals have significant experience in valuing companies and the shares thereof for various purposes, including securities law compliance, fairness opinions, solvency opinions, mergers and acquisitions, corporate income tax purposes and litigation matters, amongst other purposes. The conclusion expressed herein is the view of KPMG and the form and content herein have been approved for release by a committee, the members of which are members of the CICBV and experienced in merger, acquisition, divestiture and valuation matters.

INDEPENDENCE OF KPMG

As used herein, “associated entity”, “affiliated entity”, “issuer insider” and “interested party” have the meanings ascribed to them in MI 61-101.

Neither KPMG nor any of its affiliated entities: is an issuer insider, associated entity or affiliated entity of Melior, Metallica or an interested party; has acted as an advisor to Melior, Metallica or an interested party in respect of the Proposed Transaction (other than by virtue of performing its services under the Engagement Agreement); is part of a soliciting dealer group for the Proposed Transaction; is the auditor of Melior, Metallica or an interested party; or has any financial interest in the completion of the Proposed Transaction.

Other than the Engagement Agreement, there are no understandings, agreements or commitments between KPMG and the Company with respect to any future business dealings. KPMG may, in the future, in the ordinary course of its business, perform financial advisory or other professional services to the Company, Metallica or any interested party.

The Fairness Opinion was prepared by KPMG acting independently and objectively. KPMG is familiar with the independence and qualification requirements of MI 61-101. We believe that KPMG is “independent” (as such term is used in Part 6 of MI 61-101) of all interested parties to the Proposed Transaction and we confirm that, to the best of our knowledge, we have disclosed all material facts that could reasonably be considered to be relevant to our qualifications and

independence for the purposes of this engagement.

SCOPE OF REVIEW

In connection with preparing and rendering the Fairness Opinion, we have reviewed and relied upon (where considered appropriate), or undertaken, among other things, the following:

- a) The fully executed letter and term sheet between Melior and Metallica dated July 6, 2018 (the **"Term Sheet"**);
- b) The financial statements of Melior for the years ended June 30, 2017 and 2016 and the nine-months ended March 31, 2018, and the balance sheet as at June 30, 2018;
- c) The financial statements of Metallica for the year ended June 30, 2017 and the six-months ended December 31, 2017, and the balance sheet as at June 30, 2018;
- d) Selected public market data, including information publicly available for Melior and Metallica, considered to be relevant by KPMG;
- e) Discussions with senior management of Melior (**"Management"**);
- f) Strategy position papers, financial models and financing analyses prepared by Management in connection with the Proposed Transaction;
- g) A draft of the Arrangement Agreement between Metallica and Melior dated September 6, 2018;
- h) The National Instrument 43-101 Technical Report for Melior, with an effective date of December 16, 2017;
- i) The Preliminary Economic Assessment of Goondicum, with an effective date of April 20, 2018;
- j) The Urquhart Bauxite Resource update document, prepared in accordance with Joint Ore Reserves Committee guidelines, dated November 2016;
- k) Melior's budget to 2020, as submitted to the Board on April 5, 2018;
- l) General industry and economic information obtained from other sources considered reliable and appropriate by KPMG; and,
- m) Such other information, investigations, analyses and discussions as we considered necessary or appropriate in the circumstances.

RESTRICTIONS AND QUALIFICATIONS

With your approval and consent, KPMG has relied upon and assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions, representations and other material obtained by it from public sources (including, without limitation, the projections associated with Melior's and Metallica's primary mineral projects) or provided to it by, on behalf of or at the request of the Special Committee or Melior or their respective representatives (collectively, the **"Information"**). The Fairness Opinion is conditional upon such completeness, accuracy and

fair presentation of the Information. KPMG has not independently verified the accuracy and completeness of any of the Information and does not assume any responsibility with respect to it.

Management has represented to KPMG that, among other things: (i) the Information provided to KPMG by or on behalf of the Company or any of its affiliates, associates, agents or representatives, either directly or indirectly, orally or in writing, was, at the date the Information was provided to KPMG, and is now, complete, true and correct in all material respects; and (ii) since the dates on which the Information was provided to KPMG, except as disclosed in writing to KPMG, there have been no material changes, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company and no change has occurred in the Information or any part thereof which would have or which could reasonably be expected to have an effect on the Fairness Opinion.

In preparing the Fairness Opinion, we have made several assumptions, including that: (i) the final executed form of the Arrangement Agreement will not differ in any material respect from the draft Arrangement Agreement dated September 6, 2018; (ii) Melior and Metallica will comply with all of the material terms of the Arrangement Agreement; (iii) the Proposed Transaction will be consummated in accordance with the terms and conditions of the Arrangement Agreement without any waiver or amendment of any material term or condition thereof; and, (iv) any governmental, regulatory or other consents and approvals necessary for the consummation of the Proposed Transaction will be obtained without any adverse effect.

The Fairness Opinion does not constitute and should not be construed as: (i) a formal valuation or appraisal of Melior, Metallica or their respective securities or assets; (ii) advice as to the price at which Melior or Metallica, or their respective securities or assets, may trade; or, (iii) a recommendation to any person as to voting or any other action in respect of the Proposed Transaction.

No opinion, counsel or interpretation is intended in matters that require legal or appropriate professional advice. KPMG was not engaged to review any legal, regulatory, tax, or accounting aspects of the Proposed Transaction and the Fairness Opinion does not address any legal, regulatory, tax, or accounting matters.

The Fairness Opinion does not address the relative merits of the Proposed Transaction as compared to other transactions or business strategies that might be available to Melior or the Shareholders.

The Fairness Opinion has been prepared for the exclusive use of the Special Committee and the Board of Melior in connection with its consideration of the Proposed Transaction and except as explicitly permitted herein, is not to be used or relied upon by any person other than the Special Committee or the Board for any purpose other than as stated herein, and except as provided in the last sentence of this paragraph, is not intended for general circulation, nor is it to be published or made available to other parties in whole or in part without KPMG's prior written consent. KPMG expressly disclaims any liability by reason of the use of the Fairness Opinion by any person other than the Special Committee or the Board and does not assume any responsibility for losses resulting from the unauthorized or improper use of the Fairness Opinion. Subject to the terms of

the Engagement Agreement, we understand that the Fairness Opinion may be copied, excerpted, summarized, or otherwise referenced in the Circular and filed with various securities commissions. KPMG consents to such references, provided that we are given an opportunity to review and approve such references prior to the Circular being finalized.

The Fairness Opinion is rendered as of the date hereof, on the basis of securities markets, the economic, general business and financial conditions currently prevailing and the condition and prospects, financial and otherwise, of Melior and its current and potential investments as it was reflected in the Information. KPMG disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to KPMG's attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Fairness Opinion after the date hereof, KPMG reserves the right to change, modify or withdraw the Fairness Opinion. Moreover, KPMG reserves the right, but will be under no obligation, to complete any additional analyses that might subsequently be required following the receipt of additional information.

APPROACH

The assessment of fairness from a financial point of view must be determined in the context of the Proposed Transaction. KPMG has based the Fairness Opinion on methods and techniques that KPMG considered appropriate in the circumstance including, amongst other things, an analysis of: (i) historical trading data and market transaction premiums; (ii) precedent transactions; (iii) discounted cash flows; and (iv) certain other qualitative factors.

Historical Trading Data and Transaction Premiums Analysis

KPMG reviewed the trading history of Melior on the TSX Venture Exchange ("TSXV") and of Metallica on the Australian Securities Exchange ("ASX"), taking into consideration the following data observed over the 52-weeks preceding our Fairness Opinion, amongst other considerations deemed relevant to KPMG: share exchange ratio, trading price ranges and trading volumes.

KPMG also reviewed the premiums implied by the consideration paid to shareholders of target companies in select change of control transactions deemed to be relevant by KPMG. KPMG compared these premiums to that implied by the Exchange Ratio under the Proposed Transaction. The implied premium under the Proposed Transaction was calculated with reference to the closing share price of Melior on the TSXV on September 10, 2018 and Metallica on the ASX on September 10, 2018, as well as the volume weighted average price of each companies' shares for the 10 day, one month, three months, six months and one year period preceding September 10, 2018.

Precedent Transaction Analysis

Referencing the value of Metallica's primary mineral project, as implied by the Proposed Transaction, KPMG compared certain valuation and pricing metrics to the corresponding data of select transactions involving companies or assets identified as being relevant in the circumstances. KPMG considered the implied enterprise value to in-situ resource metric to be the most relevant metric for the purposes of its comparable transaction analysis.



Discounted Cash Flow Analysis

Based on Melior's and Metallica's market capitalizations and each company's respective balance sheet as at June 30, 2018, KPMG calculated the implied market value of Melior's Goondicum Project and Metallica's 50% interest in the Uq Bauxite Project. With respect to Metallica, we also calculated the value of the Uq Bauxite Project implied by the Exchange Ratio under the Proposed Transaction. Based on the calculated project values, KPMG, referencing a discounted cash flow approach and the respective project's projected cash flows, calculated and compared the implied discount rates for Melior's and Metallica's respective projects.

Certain Other Qualitative Factors

KPMG considered certain other qualitative factors with respect to the Proposed Transaction, including but not limited to our understanding of certain assets owned by Metallica in addition to the 50% interest in the Uq Bauxite Project, alternative financing prospects and related costs, the proforma balance sheet of the merged entity and possible operating synergies.

CONCLUSION

Based upon and subject to the foregoing and such other matters KPMG considered to be relevant, KPMG is of the opinion that as of the date hereof, the Consideration is fair, from a financial point of view, to the Shareholders.

"KPMG LLP" (Signed)

KPMG LLP

APPENDIX “E”

NOTICE OF PETITION FOR FINAL ORDER

(see attached)

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 291 OF THE BRITISH COLUMBIA *BUSINESS
CORPORATIONS ACT*, S.B.C. 2002, C.57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING
MELIOR RESOURCES INC., ITS SECURITYHOLDERS AND
METALLICA MINERALS LIMITED

MELIOR RESOURCES INC.

PETITIONER

NOTICE OF PETITION

TO: The holders of Melior Resources Inc. ("**Melior**") common shares (the "**Melior Shareholders**") and holders of options and warrants of Melior (collectively, the "**Melior Securityholders**")

NOTICE IS HEREBY GIVEN that a Petition to the Court has been filed by Melior and Metallica Minerals Limited ("**Metallica**") in the Supreme Court of British Columbia for approval, pursuant to section 291 of the *Business Corporations Act*, S.B.C. 2002 c. 57 and amendments thereto (the "**BCBCA**"), of an arrangement contemplated in an Arrangement Agreement dated September 12, 2018 involving Melior, its securityholders and Metallica (the "**Arrangement**").

NOTICE IS FURTHER GIVEN that by Order of Master Bouck, a master of the Supreme Court of British Columbia, dated October 22, 2018, the Court has given directions by means of an interim order (the "**Interim Order**") as to the calling of a meeting (the "**Meeting**") of the registered Melior Shareholders for the purpose of, among other things, considering and voting upon the special resolution to approve the Arrangement.

NOTICE IS FURTHER GIVEN that if the Arrangement is approved at the Meeting, the Petitioner intends to apply to the Supreme Court of British Columbia for a final order (the "**Final Order**") approving the Arrangement, declaring it to be fair and reasonable to the Melior Securityholders, which application will be heard at the courthouse at 800 Smithe Street, in the City of Vancouver, in the Province of British Columbia on Monday, December 10, 2018 at 9:45 a.m. (Vancouver time) or as soon thereafter as the Court may direct or counsel for Melior may be heard.

NOTICE IS FURTHER GIVEN that the Court has been advised that, if granted, the Final Order approving the Arrangement and the declaration that the Arrangement is fair to the Melior Securityholders will constitute the basis for an exemption from the registration requirements under the *United States Securities Act of 1933*, pursuant to section 3(a)(10) thereof, upon which the parties will rely for the issuance and exchange of securities in connection with the Arrangement.

IF YOU WISH TO BE HEARD AT THE HEARING OF THE APPLICATION FOR THE FINAL ORDER OR WISH TO BE NOTIFIED OF ANY FURTHER PROCEEDINGS, YOU MUST GIVE NOTICE OF YOUR INTENTION by filing a form entitled "Response to Petition" together with any evidence or materials which you intend to present to the Court at the Vancouver Registry of the Supreme Court of British Columbia and YOU MUST ALSO DELIVER a copy of the Response to Petition and any other evidence or materials to the Petitioner's address for delivery, which is set out below, on or before 4:30 p.m. (Vancouver time) on November 27, 2018.

YOU OR YOUR SOLICITOR may file the Response to Petition. You may obtain a form of Response to Petition at the Registry. The address of the Registry is 800 Smithe Street, Vancouver, British Columbia, V6Z 2E1.

IF YOU DO NOT FILE A RESPONSE TO PETITION AND ATTEND EITHER IN PERSON OR BY COUNSEL at the time of the hearing of the application for the Final Order, the Court may approve the Arrangement, as presented, or may approve it subject to such terms and conditions as the Court deems fit, all without further notice to you. If the Arrangement is approved, it will affect the rights of the Melior Securityholders.

A copy of the Petition to the Court and the other documents that were filed in support of the Interim Order and will be filed in support of the Final Order will be furnished to any Melior Securityholder upon request in writing addressed to the solicitors of the Petitioner at the address for delivery set out below.

The Petitioner's address for delivery is:

DuMoulin Black LLP
10th Floor, 595 Howe Street
Vancouver, BC V6C 2T5
Attention: Lucy H. Schilling

DATED this 22nd day of October, 2018.

"Lucy Schilling"
Solicitor for the Petitioner

APPENDIX "F"
INFORMATION CONCERNING METALLICA

TABLE OF CONTENTS

INTRODUCTION	4
GLOSSARIES.....	4
GLOSSARY OF TERMS	4
GLOSSARY OF TECHNICAL TERMS	8
CORPORATE STRUCTURE	11
GENERAL DEVELOPMENT OF METALLICA'S BUSINESS.....	12
GENERAL.....	12
MINERAL EXPLORATION PROJECTS	12
THREE-YEAR HISTORY.....	13
URQUHART BAUXITE PROJECT	19
PROPERTY DESCRIPTION, LOCATION AND ACCESS.....	19
HISTORY AND PREVIOUS EXPLORATION	20
GEOLOGICAL SETTING AND REGIONAL GEOLOGY	20
PROPERTY GEOLOGY, MINERALISATION AND DEPOSIT TYPES.....	20
EXPLORATION AND DRILLING.....	21
SAMPLING, ANALYSIS AND DATA VERIFICATION	22
MINERAL PROCESSING AND METALLURGICAL TESTING	24
MINERAL RESOURCE ESTIMATES (JORC).....	25
ORE RESERVE ESTIMATES	27
OTHER MINERAL PROJECTS.....	33
URQUHART POINT HEAVY MINERAL SANDS PROJECT.....	33
CAPE FLATTERY SILICA SANDS PROJECT	34
ESMERALDA GRAPHITE PROJECT	34
CAPE YORK REGIONAL EXPLORATION PROJECTS	35
DIVIDENDS OR DISTRIBUTIONS	36
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	36
GENERAL.....	36
CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS	37
SIGNIFICANT ACCOUNTING POLICIES	37
NEW, REVISED OR AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED.....	38
FINANCIAL INSTRUMENTS	39
OPERATING SEGMENTS	39
BUSINESS RISKS	39
OFF-BALANCE SHEET ARRANGEMENTS.....	40
MD&A FOR THE YEAR ENDED JUNE 30, 2018.....	42
MD&A FOR THE YEAR ENDED JUNE 30, 2017.....	49
DESCRIPTION OF METALLICA'S SECURITIES	55
METALLICA SHARES.....	55
OPTIONS TO PURCHASE SECURITIES.....	57
CONSOLIDATED CAPITALIZATION.....	59
PRIOR SALES.....	59
METALLICA SHARES.....	59

TRADING PRICE AND VOLUME	60
ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER.....	60
PRINCIPAL SECURITYHOLDERS.....	61
DIRECTORS AND EXECUTIVE OFFICERS	61
NAME, ADDRESS, OCCUPATION AND SECURITY HOLDINGS.....	61
BIOGRAPHIES	62
SHARE OWNERSHIP	63
TERMS OF DIRECTORS.....	63
CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS.....	64
CONFLICTS OF INTEREST	64
MANAGEMENT OF JUNIOR ISSUERS	64
EXECUTIVE COMPENSATION.....	65
COMPENSATION OBJECTIVES.....	65
COMPENSATION GOVERNANCE.....	68
SUMMARY COMPENSATION TABLE	69
OUTSTANDING OPTION-BASED AND SHARE-BASED AWARDS	69
EMPLOYMENT AGREEMENTS AND POTENTIAL PAYMENTS AND CHANGE OF CONTROL BENEFITS UPON TERMINATION	70
TRADING POLICY.....	70
DIRECTOR COMPENSATION.....	71
GENERAL.....	71
SUMMARY COMPENSATION TABLE	71
OUTSTANDING OPTION-BASED AND SHARE-BASED AWARDS	72
LONG-TERM INCENTIVE PLAN.....	72
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS	77
CORPORATE GOVERNANCE	77
METALICA BOARD OF DIRECTORS	77
ATTENDANCE AT METALICA BOARD MEETINGS	78
METALICA BOARD CHARTER	78
POSITION DESCRIPTIONS	79
OTHER DIRECTORSHIPS	79
ORIENTATION AND CONTINUING EDUCATION	79
ETHICAL BUSINESS CONDUCT	79
BOARD COMMITTEES.....	80
NOMINATION OF DIRECTORS.....	80
COMPENSATION	81
ASSESSMENT.....	82
REPRESENTATION OF WOMEN IN THE DIRECTOR IDENTIFICATION AND SELECTION PROCESS.....	82
AUDIT COMMITTEE.....	82
AUDIT COMMITTEE FUNCTION	82
RELEVANT EDUCATION AND EXPERIENCE	83
EXTERNAL AUDITOR SERVICE FEES.....	84
RISK FACTORS	84
RISKS ASSOCIATED WITH METALICA	84
RISK FACTORS AFFECTING FINANCIAL INSTRUMENTS.....	85
RISK FACTORS AFFECTING THE MINING INDUSTRY	86
GENERAL RISKS	90
LEGAL PROCEEDINGS AND REGULATORY ACTIONS.....	92

LEGAL PROCEEDINGS	92
REGULATORY ACTIONS.....	92
INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	92
INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	92
UNDERWRITING DISCOUNTS	92
AUDITORS, TRANSFER AGENTS AND REGISTRARS	92
AUDITOR.....	92
TRANSFER AGENT	92
MATERIAL CONTRACTS	93
EXPERTS.....	93
NAME OF EXPERTS	93
INTEREST OF EXPERTS	93
OTHER MATERIAL FACTS.....	93
FINANCIAL STATEMENTS	94

INTRODUCTION

This Appendix "F" is a summary of Metallica, its business, assets and operations, which should be read together with the audited financial statements for Metallica contained at Appendix "H" to the Circular. The information contained in this Appendix "F" – *"Information Concerning Metallica"*, unless otherwise indicated is given as at the Record Date.

GLOSSARIES

Certain terms used in this Appendix "F" shall have the meaning ascribed in the following *"Glossary of Terms"* and *"Glossary of Technical Terms"*. All other capitalized terms used herein and not defined below shall have the meanings ascribed thereto in the section *"Glossary of Terms"* in the Circular to which this Appendix "F" is attached.

Glossary of Terms

"AASB" means the Australian Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board;

"AGM" means annual general meeting;

"ALS" means ALS Mineralogy Pty Ltd ACN 126 909 046;

"ASX" means the Australian Securities Exchange;

"ASX Listing Rules" means the listing rules of the ASX;

"AusIMM" means the Australasian Institute of Mining and Metallurgy;

"Australian Mines" means Australian Mines Ltd;

"Australian Mines JV Agreement" has the meaning ascribed thereto in *"General Development of Metallica's Business – Three-Year History – 2017"* of this Appendix "F";

"BDO Audit" means BDO Audit Pty Ltd;

"Boyne Limestone Option Agreement" has the meaning ascribed thereto in *"General Development of Metallica's Business – Three-Year History – 2016"* of this Appendix "F";

"Cape Flattery Silica Sands Project" means the Cape Flattery silica sands project located in Cape York Peninsula, Queensland, Australia;

"Cape York Regional Exploration Projects" means the Cape York regional exploration targets located in Cape York Peninsula, Queensland, Australia;

"CODM" means Chief Operating Decision Makers;

"Corporations Act (Australia)" means the *Corporations Act 2001* (Commonwealth), as amended;

"CPS Capital Group" means CPS Capital Group Pty Ltd;

"**CPS Capital Group Underwriting Agreement**" has the meaning ascribed thereto in "*General Development of Metallica's Business – Three-Year History – 2017*" of this Appendix "F";

"**DSB**" means direct shipping bauxite;

"**ECL**" means expected credit loss;

"**Eligible Participants**" has the meaning ascribed thereto in "*Long-Term Incentive Plan*" of this Appendix "F";

"**EMP**" means an environmental management plan;

"**EPM**" means Exploration Permit for Minerals;

"**Esmeralda Graphite Project**" means the Esmeralda graphite project located in Queensland, Australia;

"**Exploration Target**" means a statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and a range of grade (or quality), relates to mineralisation for which there has been insufficient exploration to estimate a mineral resource;

"**Goondicum Project**" means the Goondicum project located in Queensland, Australia;

"**Green Coast**" means Green Coast Resources Pty Ltd;

"**Green Coast Loan**" has the meaning ascribed thereto in "*General Development of Metallica's Business – Three-Year History – 2017*" of this Appendix "F";

"**Heads of Agreement**" has the meaning ascribed thereto in "*General Development of Metallica's Business – Three-Year History – 2016*" of this Appendix "F";

"**HMS**" means heavy mineral sands;

"**IFRS**" means International Financial Reporting Standards;

"**IMC**" means IMC Mining Pty Ltd;

"**Indicated Mineral Resource**" has the meaning ascribed to it in the JORC Code, namely a part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit;

"**Inferred Mineral Resource**" has the meaning ascribed to it in the JORC Code, namely a part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes;

"**JORC**" or "**JORC Code**" means the 2012 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves;

"**KPIs**" means key performance indicators;

"**LCR Mining and Haulage Agreement**" has the meaning ascribed thereto in "*General Development of Metallica's Business – Three-Year History – 2016*" of this Appendix "F";

"Listed Metallica Options" has the meaning ascribed thereto in *"General Development of Metallica's Business – Three-Year History – 2016"* of this Appendix "F";

"LTI" means long-term incentive;

"Lucky Break Royalty Agreement" has the meaning ascribed thereto in *"General Development of Metallica's Business – Three-Year History – 2016"* of this Appendix "F";

"MD&A" means management's discussion and analysis;

"Measured Mineral Resource" has the meaning ascribed to it in the JORC Code, namely a part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit;

"Metallica Board" means the board of directors of Metallica;

"Metallica February 2016 Rights Issue" has the meaning ascribed thereto in *"General Development of Metallica's Business – Three-Year History – 2016"* of this Appendix "F";

"Metallica Joint Venture" has the meaning ascribed thereto in *"General Development of Metallica's Business – Three-Year History – 2016"* of this Appendix "F";

"Metallica Joint Venture Agreement" has the meaning ascribed thereto in *"General Development of Metallica's Business – Three-Year History – 2016"* of this Appendix "F";

"Metallica March 2017 Rights Issue" has the meaning ascribed thereto in *"General Development of Metallica's Business – Three-Year History – 2017"* of this Appendix "F";

"Metallica Meeting Materials" means the schedule of resolutions and explanatory statement received with the Requisition;

"Metallica Incentive Plan" means Metallica's long-term incentive plan approved by the Metallica Board on October 24, 2016, pursuant to which it may issue Metallica Rights to eligible management and employees, each such share right entitling the holder thereof to acquire one fully paid Metallica Share, subject to satisfaction of the applicable long-term performance hurdles and vesting conditions;

"Metallica Options" means unlisted options to buy Metallica Shares, with each such option exercisable for the purchase of one Metallica Share;

"Metallica Rights" means the performance share rights of Metallica issuable pursuant to the Metallica Incentive Plan, each such share right entitling the holder thereof to acquire one fully paid Metallica Share, subject to satisfaction of the applicable long-term performance hurdles and vesting conditions;

"Metallica Shares" means the ordinary shares in the capital of Metallica, as currently constituted;

"Metallica Standby Facility" has the meaning ascribed thereto in *"General Development of Metallica's Business – Three-Year History – 2017"* of this Appendix "F";

"Mineral Resources" means an Inferred Mineral Resource, Indicated Mineral Resource and Measured Mineral Resource;

"NEO" means the named executive officers of Metallica and "named executive officer" has the meaning ascribed thereto in Form 51-102F6 – *Statement of Executive Compensation* of the Canadian Securities Administrators;

"**NI 43-101**" means National Instrument 43-101 – Standards of Disclosure for Mineral Projects;

"**OCI**" means other comprehensive income;

"**Ootann Limestone Project Sale**" has the meaning ascribed thereto in "*General Development of Metallica's Business – Three-Year History – 2016*" of this Appendix "F";

"**Ore Reserve**" has the meaning ascribed to it in the JORC Code;

"**Oresome Australia**" means Oresome Australia Pty Ltd;

"**Oresome Ozore Joint Venture Projects**" has the meaning ascribed thereto in "*General Development of Metallica's Business – Three-Year History – 2016*" of this Appendix "F";

"**Ozore Resources**" means Ozore Resources Pty Ltd;

"**Participants**" has the meaning ascribed thereto in "*Long-Term Incentive Plan*" of this Appendix "F";

"**Probable Reserves**" or "**Probable Ore Reserves**" has the meaning ascribed to it in the JORC Code, namely, the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource.

"**Production Target**" means a projection or forecast of the amount of minerals to be extracted from a particular mining tenement or tenements for a period that extends past the current year and forthcoming year;

"**Proved Reserves**" or "**Proved Ore Reserves**" has the meaning ascribed to it in the JORC Code, namely, the economically mineable part of a Measured Mineral Resource.

"**Qualified Person**" has the meaning ascribed to it in NI 43-101, namely, an individual who:

- (a) is an engineer or geoscientist with a university degree, or equivalent accreditation, in an area of geoscience, or engineering, relating to mineral exploration or mining;
- (b) has at least five years of experience in mineral exploration, mine development or operation, or mineral project assessment, or any combination of these, that is relevant to his or her professional degree or area of practice;
- (c) has experience relevant to the subject matter of the mineral project and the technical report;
- (d) is in good standing with a professional association; and
- (e) in the case of a professional association in a foreign jurisdiction, has a membership designation that
 - i. requires attainment of a position of responsibility in their profession that requires the exercise of independent judgment; and
 - ii. requires:
 - A. a favourable confidential peer evaluation of the individual's character, professional judgement, experience, and ethical fitness; or Rules and Policies June 24, 2011 (2011) 34 OSCB 7047; and
 - B. a recommendation for membership by at least two peers, and demonstrated prominence or expertise in the field of mineral exploration or mining;

"relevant reporting periods" has the meaning ascribed thereto in *"Management's Discussion and Analysis – General"* of this Appendix "F";

"Requisition" means the notice and the Meeting Materials received by Metallica to requisition a meeting of shareholders of Metallica under section 249D of the Corporations Act (Australia);

"SCONI Project" has the meaning ascribed thereto in *"General Development of Metallica's Business – Three-Year History – 2017"* of this Appendix "F";

"SCONI Sale Agreement" has the meaning ascribed thereto in *"General Development of Metallica's Business – Three-Year History – 2017"* of this Appendix "F";

"Star Limestone Project Sale" has the meaning ascribed thereto in *"General Development of Metallica's Business – Three-Year History – 2016"* of this Appendix "F";

"South West" means South West Pacific Bauxite (HK) Ltd;

"South West Loan Agreement" has the meaning ascribed thereto in *"General Development of Metallica's Business – Three-Year History – 2017"* of this Appendix "F";

"STI" means short-term incentive;

"Urquhart Bauxite Project" means the Urquhart Bauxite project in Queensland's Cape York Peninsula;

"Urquhart Bauxite Technical Report" has the meaning ascribed thereto in *"Technical Information"* of this Appendix "F";

"Urquhart Point Heavy Mineral Sands Project" and **"Urquhart Point HMS Project"** means the Urquhart Point heavy mineral sands project located in Cape York Peninsula, Queensland, Australia; and

"Wagina Project" has the meaning ascribed thereto in *"General Development of Metallica's Business – Three-Year History – 2017"* of this Appendix "F".

Glossary of Technical Terms

"Al₂O₃" means alumina;

"Cg" means carbon in graphite;

"m" means metre;

"kg" means kilogram;

"km" means kilometre;

"km²" means square kilometre;

"LOI" means loss on ignition;

"LOM" means life of mine;

"mm" means millimetre;

"Mt" means million tonnes;

"**RSi**" means reactive silica;

"**SiO₂**" means silica oxide;

"**THA**" means tri-hydrate available Al_2O_3 ;

"**tonnes**" means metric tonnes; and

"**TZ**" means transition.

TECHNICAL INFORMATION

The scientific and technical information contained or incorporated by reference in this Appendix "F" relating to the Urquhart Bauxite Project is supported by the technical report titled "*Urquhart Bauxite Technical Report*" with an effective date of October 19, 2018, prepared by Mr. Stewart Lewis, CEO and Mr. John Horton, Associate of IMC (the "**Urquhart Bauxite Technical Report**").

The Urquhart Bauxite Technical Report is subject to certain assumptions, qualifications and procedures described therein. Reference should be made to the full text of the Urquhart Bauxite Technical Report, which has been prepared pursuant to NI 43-101. As permitted by Section 7.1 of NI 43-101, the Urquhart Bauxite Technical Report uses mineral resource and mineral reserve categories set out in the JORC Code. The Urquhart Bauxite Technical Report is not and shall not be deemed to be incorporated by reference in this Circular.

Scientific and technical information relating to the Urquhart Bauxite Project contained in this document was prepared under the supervision of, or approved by, Mr. Stewart Lewis, CEO, IMC and a "qualified person" within the meaning of NI 43-101.

Mr. Lewis is a Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy ("**AusIMM**"). Together with being the project manager responsible for the completion of the pre-feasibility study on the Urquhart Bauxite Project, Mr. Lewis was the competent person in accordance with the JORC Code requirements for the Ore Reserve estimate and Production Target estimates for the Urquhart Bauxite Project. Mr. Lewis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a competent person as defined in the JORC Code.

Mr. Lewis has sufficient experience in laterite style mineralisation such as the Urquhart Bauxite Project mineralisation to satisfy the requirements as a Qualified Person for that style of mineralisation.

Mr. Lewis relied on the expertise of various other experts in completing the Urquhart Bauxite Technical Report.

The Mineral Resource estimate was undertaken by Mr. John Horton, Principal Geologist, who is a Fellow and Chartered Professional of the Australasian Institute of Mining and Metallurgy and an associate at IMC. Mr. Horton has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as competent person as defined in the JORC Code.

The information that relates to exploration results and exploration targets is based on information compiled by Mr. John Cameron who is a Member of the AusIMM and is a contract consultant to Metallica. Mr. Cameron has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as competent person as defined in the JORC Code.

IMC presented the Urquhart Bauxite Project Mineral Resources and Ore Reserves as disclosed in the Urquhart Bauxite Technical Report in accordance with the JORC Code. Mr. Lewis is of the opinion that if the Mineral Resources and Ore Reserves were prepared in accordance with NI 43-101, there would be no material differences between the Mineral Resource and Ore/Mineral Reserve categories as disclosed in the Urquhart Bauxite Technical Report and the categories set out in NI 43-101 sections 1.2 and 1.3 and as defined in the CIM Definition Standards on Mineral Resources and Mineral Reserves.

Where appropriate, certain information contained within this Appendix "F" updates information derived from the Urquhart Bauxite Technical Report. Any updates to the scientific or technical information contain in this Appendix "F" was prepared by or under the supervision of Mr. Stewart Lewis who is a member of the Australian Institute of Geoscientists and qualifies as a "competent person" as defined in the JORC Code and as a Qualified Person. Readers should consult the Urquhart Bauxite Technical Report to obtain further particulars regarding the Urquhart Bauxite Project. The Urquhart Bauxite Technical Report, which constitutes the current technical report for the Urquhart

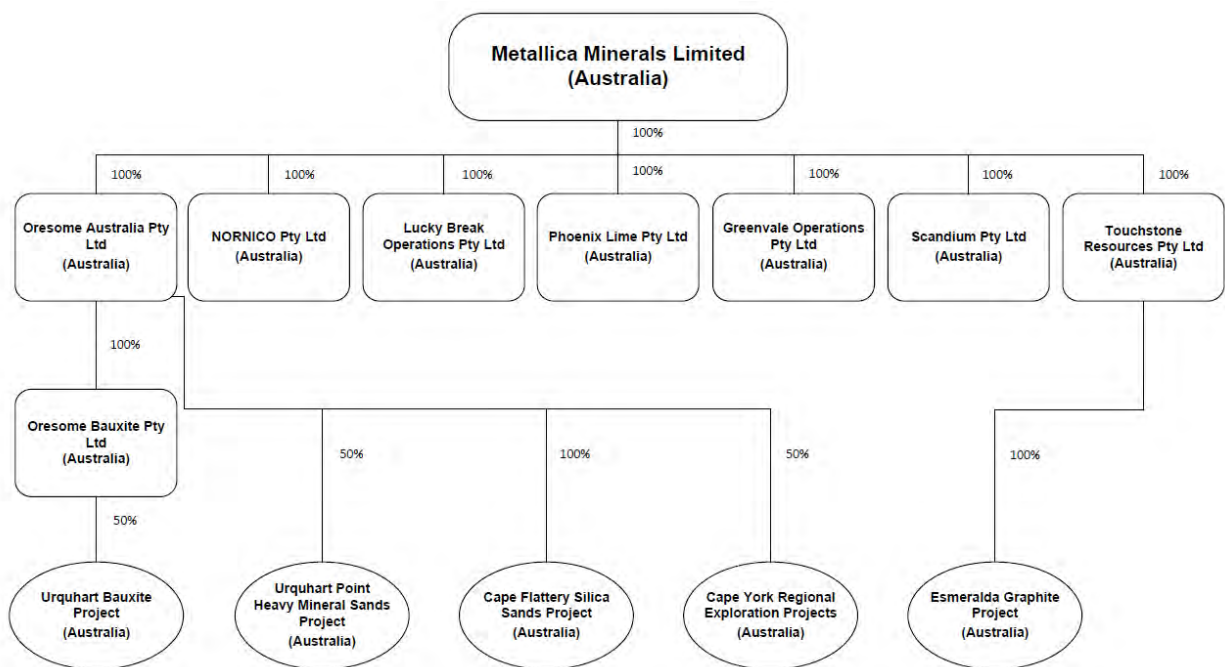
Bauxite Project, will be available for review on Metallica's website at www.metallicaminerals.com.au. Mr. Lewis consents to the inclusion in this Circular of the technical disclosure contained in this Appendix "F", based upon the information in the form and context in which it appears.

Information contained in this Appendix "F" that relates to Mineral Resources, Ore Reserves and exploration results has been previously disclosed by Metallica via the ASX web platform under Metallica's securities code "MLM". Where relevant, references to specific ASX announcement dates are listed as footnotes throughout this section.

CORPORATE STRUCTURE

Metallica was incorporated on January 15, 1997 as "Metallica Minerals N.L." under the *Corporations Act (Australia)* and was assigned ACN 076 696 092. On March 8, 2000, Metallica changed its name to "Metallica Minerals Limited". On May 14, 2004, Metallica adopted a new constitution prior to Metallica being admitted to the ASX. Metallica's head and registered offices are located at Ground Floor, 71 Lytton Road, East Brisbane, Queensland 4169, Australia. Metallica's telephone number is +61 7 3249 3000 and its website address is www.metallicaminerals.com.au. The Metallica Shares were listed to trade on the Official List of the ASX on November 18, 2004 under the trading symbol "MLM" and commenced trading on November 23, 2004. The closing price of the Metallica Shares on the ASX on October 19, 2018 was AUS\$0.033.

The subsidiaries controlled by Metallica, the jurisdictions of incorporation of those subsidiaries and the percentage of voting securities held, directly or indirectly, by Metallica, are as follows:



For more information regarding Metallica's ownership interests in the Urquhart Bauxite Project and other mineral projects, see "Urquhart Bauxite Project" and "Other Mineral Projects" of this Appendix "F".

Notes:

- (1) NORNICO Pty Ltd (ACN 065 384 045) was incorporated under the Corporations Act (Australia).
- (2) Oresome Australia Pty Ltd (ACN 071 762 484) was incorporated under the Corporations Act (Australia).
- (3) Oresome Bauxite Pty Ltd (ACN 606 362 252) was incorporated under the Corporations Act (Australia).
- (4) Lucky Break Operations Pty Ltd (ACN 126 272 580) was incorporated under the Corporations Act (Australia).
- (5) Phoenix Lime Pty Ltd (ACN 096 355 761) was incorporated under the Corporations Act (Australia).

- (6) Greenvale Operations Pty Ltd (ACN 139 136 708) was incorporated under the Corporations Act (Australia).
- (7) Scandium Pty Ltd (ACN 138 608 894) was incorporated under the Corporations Act (Australia).
- (8) Touchstone Resources Pty Ltd (ACN 126 306 018) was incorporated under the Corporations Act (Australia).

GENERAL DEVELOPMENT OF METALLICA'S BUSINESS

General

Metallica is an Australian bauxite and other mineral exploration and development corporation with assets based in Queensland. Metallica is transitioning from minerals exploration to development and production, concentrating on its bauxite assets with the goal of becoming a successful, sustainable and profitable bauxite miner with a stated goal of producing 5 to 7Mtpa of bauxite over the coming 3 to 5 years. Metallica has a 50% interest in the Urquhart Bauxite Project, which is Metallica's sole material property. Metallica also has interests in a portfolio of non-core assets which include interests in mineral sands, silica sands and graphite, and is investigating potential opportunities to unlock value from such assets. See "*Urquhart Bauxite Project*" and "*Other Mineral Projects*" of Appendix "F".

Mineral Exploration Projects

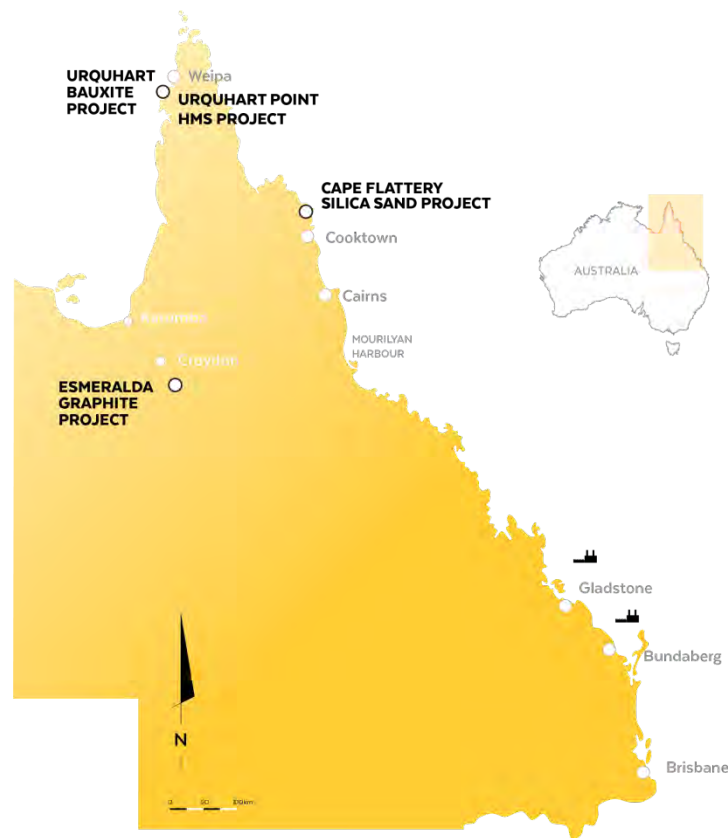


Figure 1: Metallica project locations.

Metallica currently holds interests in the following mineral projects:

Table 1: Project summary.

Project/Prospect	Location	Style	Ownership
Urquhart Bauxite Project	Cape York Peninsula, Queensland, Australia	Bauxite and zircon, rutile, and titanium metals	50% ⁽¹⁾
Urquhart Point Heavy Mineral Sands Project	Cape York Peninsula, Queensland, Australia	Bauxite and zircon, rutile, and titanium metals	50% ⁽²⁾
Cape Flattery Silica Sands Project	Cape Flattery, Queensland, Australia	Silica sands for bulk export shipping	100% ⁽³⁾
Esmeralda Graphite Project	Queensland, Australia	Large scale "graphite in granite" – targeting high purity graphite	100% ⁽⁴⁾
Cape York Regional Exploration Projects	Cape York Peninsula, Queensland, Australia	Bauxite and zircon, rutile, and titanium metals	50% ⁽⁵⁾

Notes:

- (1) Metallica's wholly-owned direct subsidiary, Oresome Bauxite Pty Ltd ("**Oresome Bauxite**"), holds a 50% ownership interest in the Urquhart Bauxite Project. The remaining 50% interest is held by Ozore Resources Pty Ltd ("**Ozore Resources**"), a private Chinese investor and Metallica's joint venture partner.
- (2) Metallica's wholly-owned direct subsidiary, Oresome Australia Pty Ltd ("**Oresome Australia**"), holds a 50% ownership interest in the Urquhart Point Heavy Mineral Sands Project. The remaining 50% interest is held by Ozore Resources.
- (3) Metallica's wholly-owned direct subsidiary, Oresome Australia, holds a 100% direct ownership interest in the Cape Flattery Silica Sands Project.
- (4) Metallica's wholly-owned direct subsidiary, Touchstone Resources Pty Ltd, holds a 100% direct ownership interest in the Esmeralda Graphite Project.
- (5) Metallica's wholly-owned direct subsidiary, Oresome Australia, holds a 50% ownership interest in the Cape York Regional Exploration Projects. The remaining 50% interest is held by Ozore Resources.

See "Urquhart Bauxite Project" and "Other Mineral Projects" of Appendix "F".

Three-Year History

Metallica was incorporated on January 15, 1997, and its primary focus has since been to acquire, explore and, if appropriate, develop mineral properties in Australia. The following is a summary of Metallica's development over the 3 most recently completed financial years.

2016

On July 9, 2015, Metallica announced that it entered into a sales agreement to sell four granted mining leases covering the Ootann limestone tenements and associated quarrying equipment to a private limestone and lime group in exchange for AUS\$500,000 (the "**Ootann Limestone Project Sale**"). Pursuant to the sales agreement, the purchaser agreed to replace the environmental bond of approximately AUS\$27,000 relating to the Ootann limestone tenements.

On July 28, 2015, Metallica announced that it entered into a sale and purchase agreement for the sale of its non-core Star Limestone project (ML 10276) to a private group in exchange for AUS\$370,000 (the "**Star Limestone Project Sale**"). Pursuant to the sale and purchase agreement, the purchaser agreed to replace all environmental bonds relating to the Star Limestone project.

On September 15, 2015, Metallica announced that it completed the Ootann Limestone Project Sale and the Star Limestone Project Sale.

On September 21, 2015, Metallica announced that it received the second payment in the amount of AUS\$200,000 under the royalty agreement dated January 12, 2015 (the "**Lucky Break Royalty Agreement**") between Metallica and a private company. Under the Lucky Break Royalty Agreement, Metallica granted a private company the right

to mine and extract nickel laterite from Metallica's Dingo Dam Mining Lease in Queensland, which is a part of Metallica's non-core Lucky Break Nickel Project. The royalty payable to Metallica under the Lucky Break Royalty Agreement is as follows: (i) the first payment of AUS\$250,000, which was received on January 9, 2015; (ii) the second payment of AUS\$200,000 within 6 months from the signing date of the Lucky Break Royalty Agreement or when a total of 30,000 tonnes of nickel laterite is extracted and removed from the royalty area, whichever is later; (iii) the third payment of AUS\$200,000 within 10 months from the start date of the Lucky Break Royalty Agreement or when a cumulative total of 60,000 tonnes of nickel laterite is extracted and removed from the royalty area, whichever is later; and (iv) an additional payment of AUS\$4.00 per tonne for any tonnages above 130,000 tonnes of nickel laterite that is extracted and removed from the royalty area.

On October 6, 2015, Metallica announced that Oresome Australia, its wholly-owned subsidiary, received further funding in the amount of AUS\$650,000 from Ozore Resources pursuant to the joint venture agreement dated August 1, 2014 (the "**Metallica Joint Venture Agreement**") between Oresome Australia and Ozore Resources. Under the Metallica Joint Venture Agreement, Ozore Resources acquired a 50% interest in the Urquhart Bauxite Project, the Urquhart Point Heavy Mineral Sands Project and the Cape York Regional Exploration Projects (collectively, the "**Oresome Ozore Joint Venture Projects**") in consideration for funding of AUS\$7,500,000 for exploration at the Oresome Ozore Joint Venture Projects.

Under the Metallica Joint Venture Agreement, Metallica, through its wholly-owned subsidiary Oresome Australia, and Ozore Resources each hold a 50% interest in the Cape York heavy mineral sands and bauxite joint venture (the "**Metallica Joint Venture**"), which owns the Urquhart Bauxite Project, the Urquhart Point Heavy Mineral Sands Project and the Cape York Regional Exploration Project. Also under the Metallica Joint Venture Agreement, a joint venture management committee was established to manage the Metallica Joint Venture projects, with Oresome Australia as the project manager entity.

Pursuant to the Metallica Joint Venture Agreement, Ozore Resources made a AUS\$500,000 initial deposit, with an additional financing of AUS\$4,500,000 to be paid upon meeting the following conditions precedent set out in the Metallica Joint Venture Agreement: (i) receipt of approval from the Foreign Investment Review Board of Australia; (ii) payment of the AUS\$500,000 initial deposit by Ozore Resources within 5 business days; and (iii) a decision by July 31, 2014 from the board of directors of each of Oresome Australia and Ozore Resources to proceed with exploration of the Urquhart Point Heavy Mineral Sands Project. Under the Metallica Joint Venture Agreement, the final AUS\$2,500,000 will be payable by Ozore Resources upon request by the project manager of Metallica Joint Venture.

On November 16, 2015, Metallica announced that it entered into an option agreement with a private group (the "**Boyne Limestone Option Agreement**"), pursuant to which Metallica granted an option to purchase its 2 granted mining leases that form its non-core Boyne Limestone project for AUS\$1,000,000. Under the Boyne Limestone Option Agreement, the purchaser has 6 months to exercise its option, with the option period being extendable to 9 months where required regulatory approval is not obtained within the 6-month period.

On February 25, 2016, Metallica announced a *pro rata* renounceable rights issue (the "**Metallica February 2016 Rights Issue**") for gross proceeds of up to AUS\$2,009,284. Pursuant to the Metallica February 2016 Rights Issue, Metallica offered its existing shareholders: (a) 2 new Metallica Shares for every 5 existing Metallica Shares, at AUS\$0.03 per Metallica Share; and (b) for each 2 new Metallica Shares issued, 1 option of Metallica to be listed on the ASX (each, a "**Listed Metallica Option**"), exercisable for 1 new Metallica Share at a price of AUS\$0.045 per Metallica Share, expiring June 30, 2017. The Metallica February 2016 Rights Issue was partially underwritten (to AUS\$200,000) by CPS Capital Group Pty Ltd ("**CPS Capital Group**"), which acted as the lead manager and underwriter in connection with the Metallica February 2016 Rights Issue. Funds raised from the Metallica February 2016 Rights Issue were used to advance the Urquhart Bauxite Project and for working capital purposes.

On April 7, 2016, Metallica announced that it entered into a heads of agreement (the "**Heads of Agreement**") with the operator of the Hey Point Bauxite mine on Queensland's Western Cape York to provide shipping access and logistics services for the Urquhart Bauxite Project. Under the Heads of Agreement, bauxite from the Urquhart Bauxite Project will be delivered to export vessels via the Hey Point load-out facility, located 15 km from the Urquhart Bauxite Project.

On April 27, 2016, Metallica announced that it placed a further 21,902,073 new Metallica Shares for gross proceeds of AUS\$657,062 under the Metallica February 2016 Rights Issue, raising the total aggregate gross proceeds raised under the Metallica February 2016 Rights Issue to AUS\$1,796,139 pursuant to the issue of 59,871,300 new Metallica Shares. The Metallica February 2016 Rights Issue closed on April 27, 2016.

On April 28, 2016, Metallica announced that the private group had exercised its option under the Boyne Limestone Option Agreement to purchase the 2 mining leases forming the Boyne Limestone project. Payment for the balance payable under the Boyne Limestone Option Agreement was received by Metallica on June 27, 2016.

On June 24, 2016, Metallica announced that it received notice from the Department of Environment (Commonwealth) that the Urquhart Bauxite Project does not need an environmental impact statement and can be assessed via preliminary documentation.

2017

On August 12, 2016, Metallica announced that it received a tax refund of AUS\$316,000 under Research and Development Incentive Offset Refund offered through the Commonwealth Department of Industry and Science, relating to Metallica's initiatives associated with the design and other elements of the processing plant at the Urquhart Point Heavy Mineral Sands Project.

On October 4, 2016, Metallica announced that it entered into various agreements to provide a short-term loan ("**Green Coast Loan**") of up to AUS\$500,000 to Green Coast Resources Pty Ltd ("**Green Coast**"), the owner and operator of Hey Point Bauxite project, for a term of 3 months at a 3.5% monthly interest rate, in exchange for which Green Coast was obliged to provide access and undertake transshipping services as detailed under the Heads of Agreement at a capped rate.

On October 10, 2016, Metallica announced that it entered into a binding agreement to enter into a farm-in and joint venture agreement (the "**Australian Mines JV Agreement**") with Australian Mines Ltd ("**Australian Mines**") over Metallica's 100% owned scandium, cobalt and nickel project located northwest of Townsville, Queensland (the "**SCONI Project**").

Pursuant to the Australian Mines JV Agreement, Australian Mines paid AUS\$250,000 to Metallica upon execution of the Australian Mines JV Agreement in exchange for the right to acquire a 50% interest in the SCONI Project after completing a definitive feasibility study or having expended AUS\$10 million on the definitive feasibility study within a period of 4 years from the execution date of the Australian Mines JV Agreement. In addition, under the Australian Mines JV Agreement, Australian Mines had a right to earn an additional 25% interest in the SCONI Project upon successfully arranging for suitable finances to fund the development plan laid out in the definitive feasibility study within 18 months of completing a definitive feasibility study or having expended AUS\$10 million on the definitive feasibility study with respect to the SCONI Project within a period of 4 years from the execution date of the Australian Mines JV Agreement.

On October 24, 2016, Metallica announced that pursuant to the Heads of Agreement, the established barging and transshipping facility at Hey Point near Weipa on the west coast of Queensland's Cape York successfully loaded its maiden shipment of bauxite from the Hey Point bauxite project. This shipment marked the first independent bauxite export from Cape York since 1963.

On October 25, 2016, Metallica announced that it received notice from Queensland's Department of Environment and Heritage Protection confirming that the Urquhart Bauxite Project does not require an environmental impact statement to be completed.

On December 12, 2016, Metallica announced the resignation of Mr. Barry Casson as Chairman and Non-Executive Director of Metallica and the appointment of Mr. Peter Turnbull to the Metallica Board as Chairman and an independent Non-Executive Director of Metallica.

On December 30, 2016, Metallica announced that it received repayment in full of AUS\$540,000, inclusive of AUS\$40,000 in interest, from Green Coast in accordance with the Green Coast Loan.

On January 17, 2017, Metallica announced that it received a tax refund of AUS\$50,425 under Research and Development Incentive Offset Refund offered through the Australian Taxation Office, relating to Metallica's initiatives associated with the design and other work associated with the processing plant at the Urquhart Point Heavy Mineral Sands Project.

On January 25, 2017, Metallica announced the appointment of Steven Boulton as independent Non-Executive Director of Metallica.

On March 6, 2017, Metallica announced the resignation of Dr. Shu Wu from the Metallica Board, and the appointment of Mr. Wang Ruobing, Chairman of the Jilin Jien Nickel group, as Non-Executive Director of Metallica.

On March 9, 2017, Metallica announced a *pro rata* renounceable rights issue (the "**Metallica March 2017 Rights Issue**") for gross proceeds of up to AUS\$2,973,689. Pursuant to the Metallica March 2017 Rights Issue, Metallica offered its existing shareholders: (a) 1 new Metallica Share for every 4 existing Metallica Shares, at AUS\$0.052 per Metallica Share; and (b) for each 2 new Metallica Share issued, 1 Listed Metallica Option, exercisable for 1 new Metallica Share at a price of AUS\$0.085 per Metallica Share, expiring September 30, 2018. Pursuant to an underwriting agreement dated March 9, 2017 between Metallica and CPS Capital Group (the "**CPS Capital Group Underwriting Agreement**"), CPS Capital Group agreed to partially underwrite the Metallica March 2017 Rights Issue (up to AUS\$2,700,000) and acted as the lead manager and underwriter in connection with the partially underwritten portion of the Metallica March 2017 Rights Issue. In addition, under the CPS Capital Group Underwriting Agreement, CPS Capital Group agreed to underwrite the existing Listed Metallica Options expiring June 30, 2017 exercisable at AUS\$0.045 each, which resulted in approximately AUS\$1,300,000 additional gross proceeds being raised. CPS Capital Group received a fee of 6% for underwriting the Listed Metallica Options expiring June 30, 2017. Funds raised from the Metallica March 2017 Rights Issue were used to advance the Urquhart Bauxite Project and for working capital purposes.

On March 21, 2017, Metallica announced that the CPS Capital Group Underwriting Agreement was revised so that CPS Capital Group could terminate the CPS Capital Group Underwriting Agreement if the volume-weighted average price of Metallica Shares over 5 consecutive trading days is less than the issue price under the Metallica March 2017 Rights Issue or the exercise price of the options issued thereunder (as the case may be).

On April 7, 2017, the Metallica March 2017 Rights Issue closed with Metallica having received applications for 43,035,171 Metallica Shares from shareholders for aggregate gross proceeds of AUS\$2,237,834. In addition, 6,647,629 options expiring June 30, 2017 were exercised resulting in the receipt of a further AUS\$299,143 by Metallica.

On April 13, 2017, Metallica announced the finalization of the placement of the shortfall under the Metallica March 2017 Rights Issue. The total amount raised under shortfall resulted in gross aggregate proceeds from the Metallica March 2017 Rights Issue equalling AUS\$3,050,000 and the amounts raised from the exercise of options expiring June 30, 2017 being equal to AUS\$310,000.

On May 22, 2017, Metallica announced that, through its wholly-owned subsidiary, Oresome Australia, it entered into a schedule of rate contracts (the "**LCR Mining and Haulage Agreement**") with LCR Group Pty Ltd to undertake all mining and haulage operations at the Urquhart Bauxite Project. Pursuant to the LCR Mining and Haulage Agreement, LCR Group Pty Ltd agreed to supply all equipment and personnel for the mining and haulage operations and to perform all short-term planning and management to deliver bauxite from the Urquhart Bauxite Project to Hey Point, where it would be transhipped via existing infrastructure into ocean-going vessels.

On June 2, 2017, Metallica announced the retirement of Andrew Gillies as Non-Executive Director of Metallica.

On June 21, 2017, Metallica announced that it entered into binding agreements with Ngan Aak-Kunch Aboriginal Corporation on behalf of the Wik and Wik Way People in regard to native title, cultural heritage management and landholder compensation relating to the Urquhart Bauxite Project.

2018

On July 14, 2017, Metallica announced that it raised AUS\$853,102 via the exercise of all of the remaining 20,215,706 Listed Metallica Options expiring June 30, 2017, resulting in 27,212,523 Listed Metallica Options being exercised by Metallica's shareholders and the remaining 2,723,168 Listed Metallica Options being placed by CPS Capital Group. All of the unexercised Listed Metallica Options expired on September 30, 2018.

On August 10, 2017, Metallica announced that it entered into binding agreements with a private company to provide Metallica with a AUS\$2,000,000 standby credit facility (the "**Metallica Standby Facility**"), for a term of 1 year, with a coupon rate of 10%, and monthly interest payments payable with principal at the termination date. Metallica intends to use funds from the Standby Facility to develop the Urquhart Bauxite Project, purchase equipment for the Urquhart Bauxite Project and for working capital purposes. The Metallica Standby Facility expired on August 10, 2018.

On August 22, 2017, Metallica announced that the federal government of Australia approved the development of the Urquhart Bauxite Project in accordance with the *Environment Protection and Biodiversity Conservation Act 1999* (Australia).

On September 6, 2017, Metallica announced that it entered into a sale and purchase agreement (the "**SCONI Sale Agreement**") with Australian Mines, pursuant to which Metallica agreed to sell 100% of the SCONI Project tenements to Australian Mines in exchange for consideration with a value of AUS\$10,000,000 consisting of: (a) payment of AUS\$3,500,000 in cash by Australian Mines to Metallica; (b) issuance of AUS\$1,500,000 in Australian Mines shares to Metallica (based on a 30-day VWAP) upon the earlier of the completion of the definitive feasibility study by Australian Mines or June 30, 2018; and (c) AUS\$5,000,000 in cash or issuance of Australian Mines shares (based on a 30-day VWAP) following the commencement of commercial production from the SCONI Project.

On October 26, 2017, Metallica announced that it appointed Bigbites Ltd., a specialist bauxite marketing company based in Hong Kong, as its marketing agent for sales of bauxite from the Urquhart Bauxite Project.

On December 4, 2017, Metallica announced the amendment of the SCONI Sale Agreement, pursuant to which Metallica agreed to waive or delete the remaining conditions precedent of the SCONI Sale Agreement and revise the completion date for the transactions contemplated in the SCONI Sale Agreement to December 8, 2017 in exchange for a AUS\$1,000,000 payment from Australian Mines.

On December 8, 2017, Metallica advised the completion of the transactions contemplated by the SCONI Sale Agreement, as amended, with initial funds of AUS\$4,500,000 having been received from Australian Mines and the remaining consideration in the amount of AUS\$6,500,000 to be paid or issued as applicable, when due.

On January 3, 2018, Metallica announced that it was granted a mining lease for the Urquhart Bauxite Project by the Queensland Department of Natural Resources and Mines, subject to various conditions on the developments being in line with Metallica's plans and expectations.

On April 17, 2018, Metallica announced the resignation of Mr. Ruobing Wang as Non-Executive Director of Metallica effective May 1, 2018 and the appointment of Mr. Simon Slesarewich as Managing Director of Metallica, in addition to his existing role as CEO of Metallica.

On April 30, 2018, Metallica announced that it entered into a secured loan agreement (the "**South West Loan Agreement**") with South West Pacific Bauxite (HK) Ltd ("**South West**"), the 75% owner of the Wagina bauxite project located in the Solomon Islands (the "**Wagina Project**"). Under the South West Loan Agreement, Metallica was granted an option to carry out exclusive due diligence on the Wagina Project with a view to ultimately completing a transaction involving the Wagina Project in exchange for providing a loan of AUS\$120,000 to South

West for a term of 12 months with an annual interest rate of 15%, secured against South West's shares. Under the South West Loan Agreement, Metallica's exclusivity period to conduct its due diligence extends for the period that the loan to South West is outstanding.

On May 15, 2018, the South West Loan Agreement was amended to increase the principal amount of the loan from AUS\$120,000 to AUS\$150,000. The South West Loan Agreement was amended further on June 8, 2018 increasing the principal amount of the loan from AUS\$150,000 to AUS\$170,000. A third amendment of the South West Loan Agreement was made on June 20, 2018 increasing the principal amount of the loan from AUS\$170,000 to AUS\$190,000.

Events Subsequent to June 30, 2018

On July 2, 2018, Metallica provided an update on its due diligence activities regarding the Wagina Project and noted that due diligence was advancing well with no material issues having been discovered. Metallica also confirmed that discussions have commenced with all levels of government in the Solomon Islands and residents of Wagina Island, where the Wagina Project is located. The outcome of the due diligence process is expected to be announced in the second half of 2018. On the same date, Metallica also provided updates regarding its discussions with various stakeholders with respect to securing approval to building a 15 km haul road connecting the Urquhart Bauxite Project with the existing port infrastructure at Hey Point.

On July 4, 2018, Metallica announced the appointment of Mr. Ian Jacobson as a Non-Executive Director of Metallica.

On September 12, 2018, Metallica announced the results of the updated JORC pre-feasibility study for Metallica's 50%-owned Urquhart Bauxite Project.

On September 13, 2018, Metallica announced that it entered into the Arrangement Agreement dated September 12, 2018 with Melior, pursuant to which Metallica agreed to merge with Melior pursuant to a Plan of Arrangement to be approved by the Supreme Court of British Columbia. See "*Arrangement Agreement*" of this Circular.

On October 11, 2018, Metallica received a notice to requisition (the "**Requisition**") a meeting of shareholders of Metallica with an accompanying schedule of resolutions and explanatory statement (the "**Metallica Meeting Materials**") under section 249D of the Corporations Act (Australia). The Requisition is seeking to convene a meeting of Metallica shareholders to consider resolutions to remove the current members of the Metallica Board and replace those members with three nominees the details of which are contained in the Requisition. Metallica is investigating the validity of the Metallica Meeting Materials and to the extent that the Metallica Meeting Materials adhere to the requirements of the Corporations Act (Australia), Metallica will comply with its obligations to convene the meeting.

On October 22, 2018, Metallica announced that it had reviewed the Requisition and concluded that the Requisition does not comply with the requirements in the Corporations Act (Australia). Metallica further noted that it cannot act on an invalid notice to requisition and thus cannot call a meeting as requested in the Requisition.

Corporate Strategy

Metallica is an Australian bauxite and other mineral exploration company with assets based in Queensland, Australia. Metallica is transitioning from minerals exploration to production, via the development of its bauxite asset, the Urquhart Bauxite Project. Metallica sees bauxite as a pillar commodity for its business and is positioning itself to become a successful, sustainable and profitable bauxite miner with a stated goal of producing 5 to 7 Mtpa of bauxite over the coming 3 to 5 years.

As Metallica moves towards production and cash flow generation from the Urquhart Bauxite Project, it is investigating opportunities to unlock value from its non-core assets and assessing commodities and associated projects which may provide additional pillars of production and cash flow that will provide value for its shareholders. The proposed merger with Melior is one such opportunity.

URQUHART BAUXITE PROJECT

Metallica holds an effective 50% ownership interest in the Urquhart Bauxite Project through its wholly-owned subsidiary, Oresome Australia. Pursuant to the Oresome Ozore Joint Venture Agreement, the other 50% ownership interest in the Urquhart Bauxite Project is held by Ozore Resources. Under the Metallica Joint Venture Agreement, a joint venture management committee was established to manage the Urquhart Bauxite Project, with Oresome Australia as the project manager entity. The Urquhart Bauxite Project is Metallica's flagship project. The following summary is based on the Urquhart Bauxite Technical Report prepared by IMC. See "Technical Information" of this Appendix "F".

Property Description, Location and Access

Location and Access

EPM15268 otherwise known as the Urquhart Bauxite Project, is located approximately 10 km South-West of the township of Weipa on the Western side of Cape York (as set out in Figure 2).

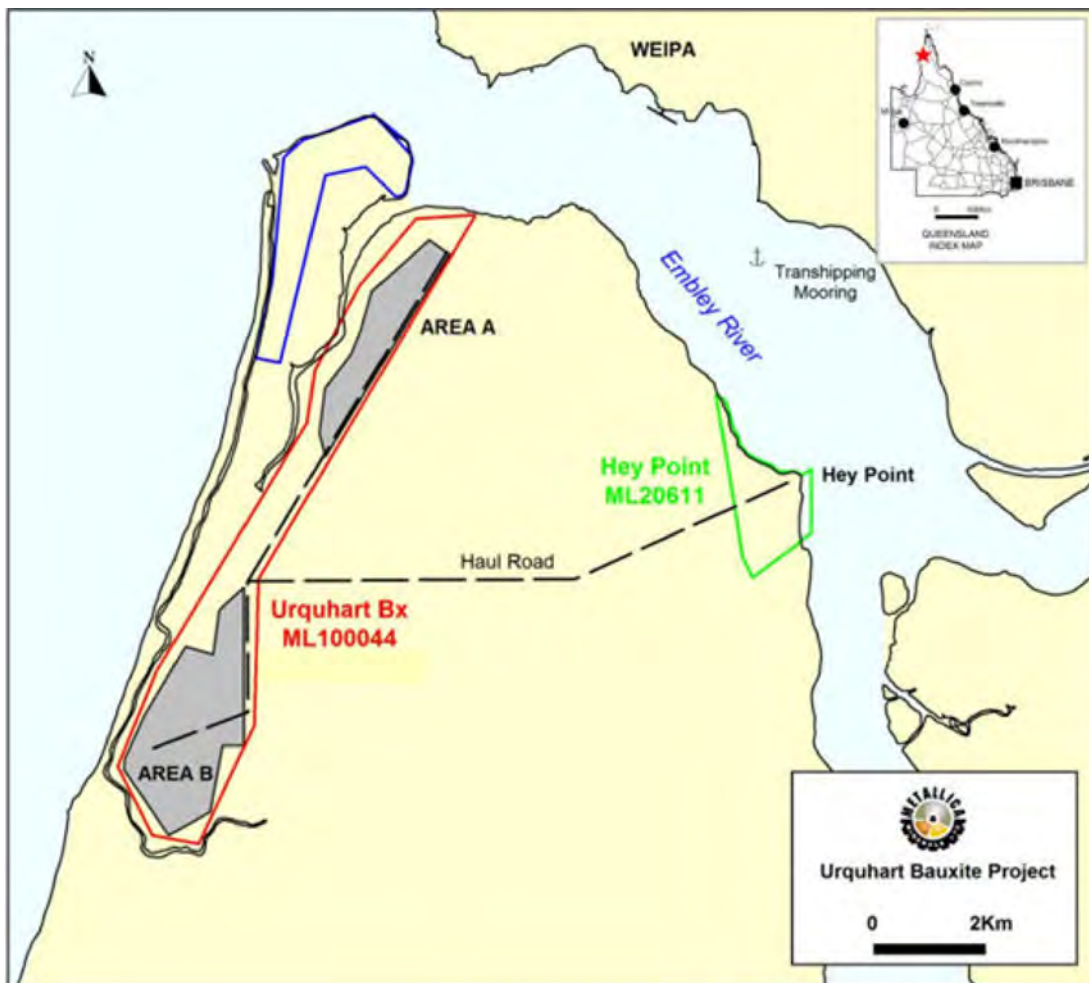


Figure 2: Urquhart Bauxite Project location.

Mineral Tenure

EPM 15268 forms part of the Metallica Joint Venture. The Metallica Joint Venture was granted a mining lease on January 3, 2018 of 1,379 hectares which covers the Urquhart Bauxite Project (Area A and Area B). This mining lease only allows mining to be undertaken in the dry season (April through December inclusive). The mine operations plan covers both Area A and Area B, with mining focussed on Area A before moving to Area B. The mining lease does not include the approval for the construction of the haul road between the mine and Hey Point.

Oresome Bauxite has ongoing negotiations with RTA Weipa Pty Ltd for an access agreement under section 316 of the *Minerals Resources Act 1989* (Qld) to allow it to construct a haul road over part of ML7024 which will culminate in the granting of S316 ML.

Oresome Bauxite executed a Traditional Land Owner Access Agreement with Ngan Akk-Kunch Aboriginal Corporation on behalf of the Wik and Wik Way People in regard to native title, cultural heritage management and landholder compensation for the Urquhart Bauxite Project on June 21, 2017.

Table 2: Tenement summary.

Tenement	Project Name	Holder/Applicant	Status	Area	Expiry Date
ML 100044	Urquhart Bauxite	Oresome Bauxite (50%) and Ozore Resources (50%)	Granted	1,360 hectares	January 31, 2033
ML 100049	Urquhart Bauxite #2	Oresome Bauxite (50%) and Ozore Resources (50%)	Granted	40 hectares	January 31, 2033
EPM 15268	Urquhart Point	Oresome Bauxite (50%) and Ozore Resources (50%)	Granted	16 sub blocks	October 24, 2022

EPM15268 tenement is in good standing.

History and Previous Exploration

The tenement has no previous history for bauxite exploration except for the initial drilling by Oresome Bauxite in 2014 and exploration for minerals sands over nearby areas.

Geological Setting and Regional Geology

The deposit type at the Urquhart Bauxite Project consists of bauxite laterite derived from the tropical to sub-tropical weathering of aluminous sediments.

Property Geology, Mineralisation and Deposit Types

Mineralisation at the Urquhart Bauxite Project is regarded as horizontal due to the tabular nature of the style of deposit as demonstrated elsewhere on the Weipa Plateau. All drill holes were less than or equal to 15 m in length, vertical and intersected the mineralisation at an approximate 90° angle with all intercepts regarded as showing the true width of the ore zone. The sampling has shown the presence of broad zones of continuity of mineralisation in an unbiased manner.

Exploration and Drilling

The drilled area was identified due to its recognised proximity to known bauxite deposits within the adjoining Rio Tinto mining lease, desk-top mapping of potential bauxite plateau features in satellite image studies and encouraging results from limited hand auger drilling completed in 2014.

Resource definition drilling was completed in two phases. An initial pattern of 320 m by 320 m drilling in Area A and Area B was completed late 2014. This was followed up with resource definition drilling at Area A on both 160 m by 160 m and 80 m by 80 m patterns, mostly as infill and some extension.

For both programs the resource definition drilling was executed by Wallis Drilling Pty Ltd, utilising a Wallis Mantis 80 aircore drill rig. In 2014, holes were drilled using an NQ air-core system (83 mm drill bit) and in 2016 an HQ system (103 mm drill bit) was used. Drill hole samples were logged on 0.25 m intervals and samples representing 0.25 m intervals were collected in plastic bags through a cyclone mounted on the drill rig. The entire sample was collected to ensure full representation of the drilled material. All samples were geologically logged at the time of drilling to determine:

- the type of bauxite material;
- which samples to composite over 0.5 m intervals;
- which samples to retain for analysis; and
- when to stop the hole.

Samples were collected as individual 0.25 m samples or composited over successive 0.5 m intervals where the logged material was geologically similar. Samples that contained pisolites in significant volume were logged as bauxitic and submitted for analysis. Sample bags were labelled with a unique sample number and a corresponding sample ticket placed inside the bag and the sample interval recorded on the drill log sheet and in the sample ticket book.

A small representative sub-sample (approximately 50 g) was collected for each 0.25 m interval and stored in a plastic sample tray for future reference.

Resource definition samples of non-bauxitic material were not retained. Samples were dispatched for sample preparation at ALS Townsville and assay at ALS Brisbane. Intervals of bauxitic material that were very thin, or interpreted as low grade, were not submitted to ALS for assay. In some cases, samples of these intervals were submitted to confirm the geological logging interpretation by selecting a few 0.25 m samples.

The mineral resource definition drilling is summarised in Table 3.

In 2016, a sonic drilling program was also undertaken to provide samples suitable for bulk density measurement. The sonic drilling provides a higher quality recovery with more confidence in the sample weights and representivity of the in-situ material. Groundwave Drilling completed 23 sonic drill holes using a track mounted Boart Longyear Sonic Delta Base DB320 rig. The sonic drill holes twinned a number of 2014 drill holes which intersected commercial grade bauxite material and as a result the expected depths to bauxite for the sonic drill holes could be predicted.

A few sonic drill holes were selected for whole rock analysis to provide twin data. The sonic drilling assays were not used for resource estimation.

Table 3: Drilling summary.

Area	Year	Drill Type	Holes	Hole Name Range	Drilled (m)	Assayed Samples (m) for:		
						Al ₂ O ₃	THA	Screened
A	2016	Sonic	15	UPB-002S- UPB-021S	78.71	29.60	-	-
B	2016	Sonic	8	UPB-031S- UPB-078S	33.58	-	-	-
A	2016	AirCore	175	UPB16001 -UPB16175	1442.0	525.5	411.0	-
A & B	2015	WaterBore	13	GWMB01S - GWMB08D	137.0	-	-	-
A	2014	AirCore	23	UPB-001 -UPB-023	167.5	53.5	36.0	60.50
B	2014	AirCore	62	UPB-024 -UPB-081	305.0	69.5	-	70.25

Sampling, Analysis and Data Verification

Field Certified Reference Materials (CRM)

Two standard bauxite reference samples were sourced from Geostats Pty Ltd in Perth including:

- "OREAUS1" code for Geostats CRM GBAP-2; and
- "OREAUS2" code for Geostats CRM GBAP-3.

The bauxite reference samples were re-labelled and renumbered prior to being provided to ALS to insert in each batch at a ratio of 1 of each standard inserted per sample batch. Results of the analysis of the standards were all within 1 standard deviation of the certified values.

The results indicate a high reproduction of the expected values for the major elements with significant relative variation only elements close to analytical detection limit.

Laboratory Standards and CRMs

ALS undertook quality control measures with regular standards, most of which are certified.

The results are generally tight and on target and considered acceptable. The THA results display some spread and the RSi results appear to have some bias. A close inspection of the available metallurgical digest CRMs indicates some were not matched exactly on the CRM name with ALS using batch variants for which the expected values could not be independently sourced. Review of the higher RSi CRMs BXMG-5ca and BXBA-4ca in the online ALS Webtrieve system indicates the expected values for RSi are lower and the ALS results are tightly distributed around the expected value.

Independent review of the majority of the CRMs used by ALS indicate no major concerns. Minor variations were found to be in order.

LOI standards are internal and are not certified though displaying some upward range they are well within the ALS acceptance tolerance.

Duplicates

No field duplicate samples were collected because the total sample was collected for analysis.

In 2016, 1 in 50 second splits from the coarse reject were taken and submitted in a separate batch. In addition, ALS conducted regular duplicates analyses of the pulp samples.

Three assayed twin holes completed in 2014 and 2016 also provide coarser down hole duplicate pairs.

The pulp duplicates have a low variance with the metallurgical digest analyses displaying the highest variance for the major elements, as would be expected of the analytical method.

The coarse splits display a slight increase in variance for the whole rock analyses (metallurgical digest analyses were not undertaken for the duplicates). The half relative absolute difference variance measure is < 2% for all the major elements suggesting that the coarse splitting method used in the sample preparation does not significantly increase the sampling error. The authors of the Urquhart Bauxite Technical Report are of the opinion that this confirms that the sample preparation process undertaken in 2014 and 2016 was suitable.

The variance of the twin hole pairs is considerably larger with SiO₂, RSi and Fe₂O₃ displaying higher relative variance than LOI and Al₂O₃.

Sample Preparation

No sub-sampling of material was undertaken at the time of collection. The entire sample was collected over each 0.25 m interval directly from the cyclone on the drill rig. Sample weights were on average between 3 kg and 4 kg for each 0.25 m sample and 6 kg to 8 kg for the composited 0.5 m samples.

The samples were dispatched to the sample preparation facility at the ALS laboratory located in Townsville and then for analysis to ALS Brisbane.

For each drill hole, bauxite intervals were selected for direct shipping bauxite ("**DSB**") analysis based on geological logging and analysed for total oxides.

Following the return of the total oxide analyses, samples were then selected for available alumina and reactive silica low temperature digest (metallurgical digest) analysis based on the criteria of total oxide sample results of > 48% Al₂O₃ and < 20% SiO₂.

No screened or beneficiated test work was undertaken on samples from the 2016 drilling program though beneficiated results are available for the 320 m spaced drilling from the 2014 program.

Samples were prepared for analysis using the following method:

- weigh sample and report received weight;
- dry at 105°C;
- weigh 'dry' sample and report weight;
- split sample into splits A and B. Return B split to original bag and store;
- weigh A split; and
- crush/pulverise A split sample to a nominal 85% passing 75 microns.

The authors of the Urquhart Bauxite Technical Report are of the opinion that the sample preparation was appropriate for bauxite analyses.

Sample Analysis

Sample analyses were undertaken by ALS laboratory at its Stafford facility in Brisbane.

The analytical methods applied to the pulverised sample were as follows:

- total oxides by XRF (ALS code ME-XRF13n) for Al_2O_3 , BaO, CaO, Cr_2O_3 , Fe_2O_3 , K_2O , MgO, MnO, Na_2O , P_2O_5 , SO_3 , SiO_2 , SrO, TiO_2 , V_2O_5 , Zn, ZrO_2 ;
- $\text{H}_2\text{O}/\text{LOI}$ by TGA furnace (ALS code ME-GRA05);
- free moisture content from the weight difference, pre and post oven drying at 105°C ;
- tri-hydrate available Alumina ("**THA**") (ALS code Al-LICP01); and
- RSi (ALS code Si-LICP01).

Data Verification

No field duplicate samples were collected because the total sample was collected for analysis. Available duplicate sample data include:

- in 2014, four twin drill holes were completed, only one of which has twinned assay data;
- in 2016, two twin resource definition drill holes were completed and assayed;
- in 2016, 23 sonic drill holes twinned 2014 drilling at Area A and B of which 8 were assayed;
- ALS as part of routine quality assurance and quality control include regular duplicate samples from second splits or the pulverised sample; and
- in 2016, 1 in 50 samples were re-split at the laboratory from the coarse reject and resubmitted for analysis to provide duplicate samples.

Two standard bauxite reference samples were sourced from Geostats Pty Ltd in Perth. The bauxite reference samples were relabelled and renumbered prior to being provided to ALS to insert in each batch at a ratio of 1 of each standard inserted per sample batch. Results of the analysis of the standards were all within one standard deviation of the certified values.

In addition the laboratory undertook quality control measures with one in every 12 samples analysed in duplicate. Seven laboratory standards and 1 blank were run with each sample batch and the results reported.

Mineral Processing and Metallurgical Testing

The correlation between RSi and SiO_2 and that for THA and Al_2O_3 display some relationship for most samples selected for analysis. The relationship appears to change within the laterite profiles. The largest deviations from the generally flat trend between RSi and SiO_2 occur at the base of the bauxite horizon, generally in domain 400 or samples logged as transition ("**TZ**"). For these observations, a relationship was established for each domain:

- upper transition zone (Domain 200) and the main bauxite horizon (Domain 300) with free silica permeating samples towards the top of the horizon but which does not significantly increase RSi; and
- lower transition zone (Domain 400) where ironstone and kaolinite become more dominant resulting in high RSi and low THA.

The following relationships were used to assign metallurgical digest grades to samples only assayed for DSB grades as follows:

- Domain 200 $\text{THA} = 1.08 * \text{Al}_2\text{O}_3 - 17.2$, $\text{RSi} = 0.11 * \text{SiO}_2 + 3.12$

- Domain 300 (excluding TZ) $\text{THA}=1.19* \text{Al}_2\text{O}_3-22.2$, $\text{RSi}=0.15* \text{SiO}_2+3.34$
- Domain 400 & 300 TZ $\text{THA}=1.56* \text{Al}_2\text{O}_3-40.3$, $\text{RSi}=0.57*\text{SiO}_2+0.98$

The assignment of metallurgical grades is mostly to populate peripheral samples in domains 200 and 400 for dilution and fill the a few missing values in domain 300 Area A and all Domain 300 in Area B. An indicator is carried in the resource estimate which represents the proportion of assigned grades in the estimates.

Mineral Resource Estimates (JORC)

IMC completed a Mineral Resource estimate on 40 m by 40 m by 0.25 m blocks for Areas A and B using Ordinary Kriging and dynamic anisotropy estimation techniques.

Classification

Blocks are classified as Measured, Indicated and Inferred Mineral Resource where drilled at 80, 160 and 320 m grid spacing, respectively. Extrapolation of each category is limited to half the nominal drill spacing (i.e. up to 160 m extrapolation beyond the drilling for Inferred Mineral Resource). Domains 100 and 500 are not classified as they contain no viable bauxite.

Mineral Resource Statement

Domaining is based on the likely economic cut-off of 48% Al_2O_3 which is suitable for geological definition of the main bauxite and transition zones. The domain boundaries have been refined using a 20% SiO_2 cut-off, geological logging and where available metallurgical digest analysis cut-offs of 34% THA and 10% RSi.

Metallurgical digest analyses were selectively undertaken targeting the main bauxite horizon and are complete for the resource statement at 48% Al_2O_3 . At lower cut-offs the metallurgical digest analyses are based increasingly on regression formulas and calculated values and will have less confidence. A measure of that confidence is included in the model as the proportion of assayed to calculated values used in the estimate. Note all metallurgical digest estimates for Area B are based on derived values as metallurgical digest analyses have not been undertaken as yet.

Screened estimates have been based on the 2014 drilling at a 320 m spacing. The screened tonnage and grades are not reported as part of the statement since the basis of the resource classification is for DSB.

The 2016 Resource estimate for Urquhart Bauxite Project at effectively a 48% Al_2O_3 cut-off is:

Measured	3.0 Mt @ 54.4% Al_2O_3 , 11.8% SiO_2 , 43.2% THA, 5.0% RSi
Indicated	3.9 Mt @ 53.3% Al_2O_3 , 13.1% SiO_2 , 40.8% THA, 5.2% RSi
Inferred	2.6 Mt @ 50.3% Al_2O_3 , 16.8% SiO_2 , 37.6% THA, 5.9% RSi
Total	9.5 Mt @ 52.8% Al_2O_3, 13.7% SiO_2, 40.7% THA, 5.3% RSi

This does not reflect a strict 48% Al_2O_3 (DSB) cut-off on the block but includes all blocks from the main bauxite horizon (Domain 300) and includes a few drill holes and areas with marginal subgrade that are required to maintain continuity of the main bauxite horizon.

Area A and B are reported separately as Area B has had no infill drilling and displays more variability and a thinner bauxite horizon than Area A. Hence Area B Inferred is considered higher risk than Area A Inferred even though Area A Inferred is predominantly extrapolated.

Table 4: Urquhart Bauxite DSB Resource statement details at effectively 48% Al₂O₃ cut-off.

Classification	Area	Mt	Al ₂ O ₃ %	SiO ₂ %	THA %	RSi %
Measured	A	3.0	54.4	11.8	43.2	5.0
Indicated	A	3.9	53.3	13.1	40.8	5.2
Inferred	A	0.3	54.2	11.3	42.0	4.7
	B	2.3	49.9	17.4	37.2	6.0
	subtotal	2.6	50.3	16.8	37.6	5.9
Total		9.5	52.8	13.7	40.7	5.3

Additional elements estimated are reported in Table 5 to complement the statement in Table 4.

Table 5: Urquhart Bauxite DSB Resource (48% Al₂O₃ cut-off) additional estimated elements.

Classification	Area	Mt	Fe ₂ O ₃ %	Cr ₂ O ₃ %	LOI %	TiO ₂ %	MgO %	SO ₃ %	CaO %	MC %
Measured	A	3.0	5.4	0.014	25.7	2.3	0.02	0.079	0.009	13.3
Indicated	A	3.9	6.2	0.016	24.8	2.2	0.03	0.076	0.009	12.8
Inferred	A	0.3	6.9	0.017	25.1	2.2	0.03	0.079	0.008	12.9
	B	2.3	6.9	0.023	22.9	2.5	0.04	0.107	0.007	8.5
	subtotal	2.6	6.9	0.023	23.2	2.4	0.04	0.105	0.007	9.0
Total		9.5	6.1	0.017	24.6	2.3	0.03	0.085	0.008	11.9

MC = Free moisture content, LOI = Loss on ignition

Though the total whole rock SiO₂ content is generally elevated the metallurgical digest analyses at Area A indicate the reactive silica is still relatively low indicating that the majority of the SiO₂ occurs in the form of quartz. This is particularly the case for the upper transition contact that comprises the majority of the subgrade bauxite available. Block estimates above 45% Al₂O₃ from the transition zones (Domain 200 and 400) are provided in Table 6.

Table 6: Urquhart Bauxite additional low grade DSB Resource above a 45% Al₂O₃ cut-off.

Classification	Area	Mt	Al ₂ O ₃ %	SiO ₂ %	THA %	RSi %
Measured	A	0.33	46.4	23.4	32.5	8.4
Indicated	A	0.32	46.4	22.3	32.2	8.9
Inferred	A	0.03	45.7	23.6	31.7	6.6
	B	0.10	45.5	21.9	30.8	11.9
	subtotal	0.13	45.5	22.3	31.0	10.6
Total		0.78	46.2	22.8	32.1	9.0

If the 50 m buffer zone is applied to the coastal breakaway zone that encapsulates the vine thicket areas then the total Mineral Resource in Table 5 is reduced by the 0.43 Mt described previously in Table 4 to the subset in Table 7. This represents the possible mining target for the Urquhart Bauxite Project, depending on the final environmental restrictions adopted.

Table 7: Urquhart Bauxite DSB Resource statement details (48% Al₂O₃ cut-off) outside buffer.

Classification	Area	Mt	Al ₂ O ₃ %	SiO ₂ %	THA %	RSi %
Measured	A	3.0	54.4	11.8	43.2	5.0
Indicated	A	3.6	53.2	13.3	40.5	5.2
Inferred	A	0.1	54.0	11.4	39.3	4.9
	B	2.3	49.8	17.4	37.1	6.0
	subtotal	2.4	50.1	17.1	37.2	5.9
Total		9.0	52.7	13.8	40.5	5.3

Mr. John Cameron, an independent geologist, supervised all drilling during November 2014 and August 2016, compiled the exploration data and provided the geological interpretation and is the Competent Person for the mineral exploration results.

Mr. John Horton from IMC completed the resource evaluation and is the Competent Person for the Mineral Resource.

Ore Reserve Estimates

The Urquhart Bauxite Pre-Feasibility Study has been based on resource data provided in the October 2016 Urquhart Bauxite Resource report IMC01533. The Mineral Resource is inclusive of the Ore Reserve.

The LOM schedule has been based on targeting the Measured, Indicated and Inferred Resources.

Modifying factors have been applied to in-situ resources as outlined below.

In addition to the Ore Reserve/Production Target material that has been derived from Measured, Indicated and Inferred Resources with appropriate modifying factors applied, additional bauxite is planned to be sourced through selective screening of bauxite that is below the cut-off grade (48% Al_2O_3 In-Situ) but with an estimated screened grade of $\geq 43\%$ Al_2O_3 . The DSB characteristics of this material are of a lower confidence.

The scheduled material (Production Target) for Scenario 1, 2 and 3 are derived from the quantities outlined in Table 8, Table 9 and Table 10 respectively. The material flagged as "Other" in Table 9 is the Inferred Resource material with modifying factors applied (i.e., loss/dilution and economic criteria), whilst in Table 10 this also includes the potential screened product.

There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the Production Target itself will be realised.

The Scenario 1 schedule that underpins the financial viability of the project has been developed solely on the basis of Proved and Probable Reserves (exclusive of Inferred Resource material).

Table 8: Ore Reserve and Production Target – Scenario 1.

	Area	Bauxite Low Temp DSB	Al_2O_3	SiO_2	THA	Low Temp RSi
		Dry kt	%	%	%	%
Proved	A	2,964	53.7	12.3	42.3	5.4
Probable	A	3,568	51.9	14.2	39.1	5.9
Ore Reserve	A	6,532	52.7	13.3	40.6	5.7

The Scenario 2 schedule has a high level of confidence for the first 5.5 years (i.e., for the period covered by the Scenario 1 material).

Additional material included in the later years is of a lower level of confidence having been underpinned from Area B Inferred Resources.

Notwithstanding this, sufficient drilling has been completed to provide an appropriate level of confidence to include this modified Inferred Resource material in the later years of the mine life as a Production Target.

Table 9: Production Target – Scenario 2.

	Area	Bauxite Low Temp DSB	Al ₂ O ₃	SiO ₂	THA	Low Temp RSi
		Dry kt	%	%	%	%
Proved	A	2,964	53.7	12.3	42.3	5.4
Probable	A	3,568	51.9	14.2	39.1	5.9
Sub Total – Ore Reserve	A	6,532	52.7	13.3	40.6	5.7
Other*	A	134	51.8	13.2	37.2	6.0
Total Production Target Area A - Excluding Screening	A	6,666	52.7	13.3	40.5	5.7
Other*	B	2,007	47.9	19.0	34.6	7.3
Production Target	A+B	8,672	51.6	14.7	39.1	6.1

* Other is the Inferred Resource material with modifying factors applied (i.e., loss/dilution and economic criteria).
Scenario 3 has the least confidence of being achieved.

The inclusion of screened material in the later years of the mine life is justified on the basis that it is reasonable to assume that economic product will be available through dry screening.

The uncertainty arises as a result of the lack of test work that has been undertaken for dry screening product. Some work has been carried out on wet screening, however at this time this work is not sufficient to convert any screened resources to Proved and Probable Reserves, even when sourced from Measured and Indicated Resources, without further testing.

On the basis that it is reasonable to assume that it will be possible to upgrade the material through dry screening (for example, Green Coast dry screened a similar product from a nearby deposit) – and further that a conservative 80% mining recovery has been used for the dry screening and the material has only been included if it was mined as overburden to uncover the DSB bauxite material, IMC are of the opinion that it is reasonable to include the screened product material in a Production Target at the end of the mine life, however this scenario should only be considered in the context of scenario 1 having supported project viability without the requirement for any additional Production Target material beyond Proved and Probable Reserves.

Table 10: Production Target – Scenario 3.

	Area	Bauxite Low Temp DSB	Al ₂ O ₃	SiO ₂	THA	Low Temp RSi
		Dry kt	%	%	%	%
Proved	A	2,964	53.7	12.3	42.3	5.4
Probable	A	3,568	51.9	14.2	39.1	5.9
Sub Total – Ore Reserve	A	6,532	52.7	13.3	40.6	5.7
Other*	A	134	51.8	13.2	37.2	6.0
Total Production Target Area A - Excluding Screening	A	6,666	52.7	13.3	40.5	5.7
Other*	B	2,007	47.9	19.0	34.6	7.3
Sub Total - Production Target Excluding Screening	A+B	8,672	51.6	14.7	39.1	6.1
Other – Screened Product**	A + B	1,624	48.9	19.3	32.3	6.1
Total Production Target with Screen Product	A + B	10,296	51.2	15.4	38.1	6.1

Dry Screening

The performance through a dry screen of the sub grade bauxite has been based on review of the wet screen test work together with a review of the characteristics of bauxite that has been screened at a nearby operation (Green Coast Resources' Hey Point operations).

The screened material is scheduled to be sourced opportunistically from material that is mined as overburden.

The characteristics of this material, particularly the product component, should be considered as approximations with test work required once mining commences and suitable quantities of material can be sourced for testing through various screen sizes. The operating budget has included funding for this testwork.

The processing of this material at the end of the scheduled mine life has only a minor impact on the net present value of the project and has no impact on the viability of the project.

It has been assumed that 80% of the target material can be recovered from selectively stockpiled low grade bauxite for processing. The average yield of this recovered bauxite has been estimated to average around 68%.

The quantities of screened material utilised at the end of the schedule are summarised in Table 11.

Table 11: Screened Target.

	Area	Bauxite	Al ₂ O ₃	SiO ₂	THA	Lt_Rsi
		Dry kt	%	%	%	%
Mined	A	1,781	42.6	30.6	28.9	6.5
Product	A	986	50.1	18.4	33.9	5.9
Mined	B	1,196	36.8	37.7	23.3	7.3
Product	B	637	47.2	20.6	29.8	6.5
Total Mined	A + B	2,977	40.3	33.4	26.6	6.8
Total Product	A + B	1,624	48.9	19.3	32.3	6.1

Modifying Factors

Various adjustments have been made to the in-situ bauxite to develop Proved and Probable Ore Reserves and the Production Target material derived from Inferred Resources.

These are summarised below.

Buffer Zone

A buffer zone of 50 m has been allowed between the mine and the edge of the tenement to ensure no encroachment on vine thickets or other sensitive areas.

It has been assumed that no mining encroaches within this buffer zone.

Bauxite Zone/Loss Dilution

The resource model included a zone designated as zone 300 – this was a zone based on two surfaces – a top surface where the average grade in a 40 m by 40 m x 0.25 m block is above 48% Al₂O₃ and a bottom surface where the blocks transition to below 48% Al₂O₃.

Mining will be carried out in such a way that material will be slightly overdug at the top transition zone – IMC have assumed a 100 mm loss from the top block as a result of this over digging.

Mining will slightly over dig the bottom of the zone 300 horizon – IMC have assumed that the over dig will be 100 mm at the bottom. The material characteristics of the waste material have been added in as dilution.

This results in only a minor change in total tonnes but a reduction in grade.

Screening Material Recovery

The material that may be suitable for screening (derived from the Domain 200 material in the resource model which overlays the zone 300 bauxite zone) is of greater uncertainty than the bauxite zone material.

The uncertainty relates to the ability to selectively stockpile the material, recover from stockpiled material on a selective basis and then finally how the material will perform through the dry screen.

To take into account this uncertainty, a mining recovery of 80% has been applied to the targeted screen material.

Bauxite Thickness

IMC are of the opinion that any bauxite zone that is less than 0.5 m thick cannot be reliably targeted for selective mining.

All Domain 300 material that is less than 0.5m thick has therefore not been included in the Production Target.

Rehandle

The majority of waste will be dumped in the strip mined prior to the active strip.

The exceptions to this are the first strip mined in Area A and the first in Area B.

The waste from these box cut strips will be dumped on an adjacent strip and will need to be rehandled when that strip is mined.

It may be possible to place this material in permanent external dumps without the need to be rehandled. This would be upside that will be investigated in future studies.

Selection of Production Target based on Resource Classification

The scheduled quantities have been developed on the basis of three broad scenarios, as follows:

1. Proved and Probable only without any screening material. This is Area A only.
2. Production Target Material made up of Proved and Probable together with Inferred Resources (with Modification factors applied) – this adds a small amount of Inferred Resource material in Area A and all potentially viable material in Area B.
3. The above two scenarios with material that is mined as overburden to access the bauxite which is in Zone 200 being selectively stockpiled and then screened to create a product at the end of the mine life when the resultant screened grade is above 43% Al_2O_3 .

Moisture

The ore is located within the water table which has resulted in the moisture measurements being relatively high.

The modelled moisture is the in-situ moisture – this will reduce substantially once mining has taken place.

IMC have assumed that mined and shipped moisture will be 8%, whilst the overburden moisture will be 4.5%. This is consistent with information provided from other operations in the vicinity of the Urquhart Bauxite Project.

Economic Viability

Basic Lerchs Grossman optimisations were carried out on the deposit based on Scenario 1 and Scenario 2 as outlined above.

These optimisations were used to assist in developing a sequence for mining and also in rejecting any areas that were not economically viable.

This analysis did not assign any value to the zone 200 potential screen material.

Mining Design

The mining will be very simple – remove the overburden with scrapers and then load the ore onto trucks with a front end loader to be taken to the port loadout area.

The Urquhart bauxite deposit is quite different than the nearby Rio Tinto deposits in that it has a relatively thick layer of overburden.

Fortunately, the material is amenable to cheap bulk mining methods and will not require blasting.

Oresome Bauxite sent out a request for quotation to various mining contractors in October 2016 – an aspect of the tender was that each company provide an outline of the mining method that they had based the pricing on.

From those companies, Oresome Bauxite has contracted with LCR Group Pty Ltd.

The mine plan and development strategy used as the basis for the Pre-Feasibility Study has been derived from that outlined by LCR Group Pty Ltd in the contract documents.

The material that is mined for each scenario is summarised in Table 12.

Table 12: Mining Tonnage Data.

	Area	Waste (Inc Screen)	Waste (Inc Screen)	Ore (Ex Screen)
		Dry kt	Wet kt	Dry kt
Proved	A			2,964
Probable	A			3,568
Sub Total	A	16,332	17,102	6,532
Production Target	A			134
Total Area A	A	17,064	17,868	6,666
Production Target	B	6,481	6,787	2,007
Total Production Target	A + B	23,545	24,655	8,672

Port and Ship Loading

Oresome Bauxite is presently finalising an agreement with Green Coast, whereby Green Coast provide stockpile space at Hey Point and manage all logistics to get the product from the stockpile onto a bulk ship.

The targeted annual quantities of ore have been derived on the basis of the allocation of tonnes being negotiated by Oresome Bauxite through the Hey Point facility.

Environmental

The project does not require an Environmental Impact Statement and will operate under an Environmental Management Plan ("EMP").

A buffer zone of 50 m was allowed between the mine and the edge of the tenement to ensure no encroachment on vine thickets or other sensitive areas.

Epic Environmental completed the EMP in January 2018.

Mining Operations

The mine operations plan was based on the strategy outlined by LCR Group Pty Ltd.

The key characteristics of the mining operations are:

- the contractor is responsible for all operations on site – including clearing/grubbing, waste mining, road construction, ore mining and delivery of ore to the Hey Point stockpile and rehabilitation;
- the cost of constructing the haul road to Hey Point has been partly absorbed in mobilisation/preliminary charges and partly amortised into the haulage unit cost;
- Oresome Bauxite will have a very small site-based team to manage the contractor and to provide geological oversight;
- initial clearing and grubbing will be carried out with D9 sized bulldozers;
- waste will be removed by scraper; and
- Cat 992 front end loaders will excavate the ore. These will load directly onto 130t B-Double units to haul the ore to Hey Point.

The mining advance will be in 160 m strips which will allow dewatering to be undertaken in front of the mining face.

Dewatering will be a key part of the mining operations.

The contractor has allowed for this cost in the contract price.

Ore Reserve Statement

The Urquhart Bauxite Project Ore Reserves estimate is shown in Table 13. This Ore Reserves estimate was developed in accordance with the JORC Code.

The Ore Reserve was estimated by taking into account the relevant modifying factors including:

- loss and dilution at the bauxite boundary;
- cut-off grade;
- pricing forecast for the direct shipped bauxite as a low temperature refinery feed; and

- mining, trucking and ship loading costs.

Measured Mineral Resources have been converted to Proved Ore Reserves with appropriate modifying factors applied.

Indicated Mineral Resources have been converted to Probable Ore Reserves with appropriate modifying factors applied.

Table 13: Ore Reserve Estimate.

	Low Temp DSB Bauxite	Al₂O₃	SiO₂	THA	Low Temp RSi
	Dry kt	%	%	%	%
Proved	2,964	53.7	12.3	42.3	5.4
Probable	3,568	51.9	14.2	39.1	5.9
Ore Reserve	6,532	52.7	13.3	40.6	5.7

The Ore Reserves are based on an in-situ Al₂O₃ cut-off grade of 48%.

The information that relates to Ore Reserves and Production Targets is based on information compiled by Mr. Stewart Lewis of IMC, a Competent Person who is a Chartered Professional Member of the AusIMM.

Mr. Lewis has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr. Lewis consents to the inclusion of the matters based on his information in the form and context in which it appears.

OTHER MINERAL PROJECTS

Metallica's interest in other mineral projects in Australia include its interest in the Urquhart Point Heavy Mineral Sands Project, the Cape Flattery Silica Sands Project, the Esmeralda Graphite Project and the Cape York Regional Exploration Projects.

Urquhart Point Heavy Mineral Sands Project

Metallica holds an effective 50% ownership interest in the Urquhart Point Heavy Mineral Sands Project through its wholly-owned subsidiary, Oresome Australia. Pursuant to the Oresome Ozore Joint Venture Agreement, the other 50% ownership interest in the Urquhart Point Heavy Mineral Sands Project is held by Ozore Resources. Under the Metallica Joint Venture Agreement, a joint venture management committee was established to manage the Urquhart Point Heavy Mineral Sands Project, with Oresome Australia as the project manager entity.

The modularised HMS processing plant is rated at 120 tph throughput and was purpose built in South Africa for the Urquhart Point Heavy Mineral Sands Project, arriving in Australia in December 2015. The equipment is currently stored near Brisbane. Although heavy mineral sands prices have improved this project is relatively small and the Metallica Joint Venture has deferred progression of this project to focus on the adjacent Urquhart Bauxite Project.

Following several approaches from third parties, the Metallica Joint Venture is progressing several options that may deliver value to the Metallica Joint Venture including the consideration of any third party approaches in relation to this asset. The heavy mineral sands development plan can be quickly implemented to deliver production if there is a compelling case for Metallica to do so.

The Urquhart Point Heavy Mineral Sands Project is covered by mining leases and an EPM, as set out below:

Tenement	Project Name	Holder/Applicant	Status	Area	Expiry Date
Mining Lease 20669	Urquhart Point	Oresome Australia (50%) and Ozore Resources (50%)	Granted	366 hectares	October 31, 2023
Mining Lease 20737	Mbung Urquhart Point	Oresome Australia (50%) and Ozore Resources (50%)	Granted	5 hectares	October 31, 2025

Cape Flattery Silica Sands Project

The Cape Flattery Silica Sands Project is located approximately 200 km North of Cairns on the coast near Cape Flattery in North Queensland. The EPM for Cape Flattery Silica Sands Project covers part of a large quaternary sand dune field, which is believed to contain high-grade silica sand, a section of which is currently being mined by Cape Flattery Silica Mines Pty Ltd, a wholly-owned subsidiary of Mitsubishi Corporation.

Silica sands are used in a range of industrial applications, including as a key glass-making ingredient. Metallica's sampling program at the Cape Flattery Silica Sands Project identified 3 target areas with sampling indicating SiO₂ percentages greater than 99%. These target areas form the basis for the exploration target developed by Metallica of 20 Mt to 100 Mt of high purity silica sands, with *in situ* quality ranging between 96.9% and 99.6% SiO₂.

Metallica will evaluate the Cape Flattery Silica Sands Project's potential for development as a silica sand mining and bulk shipping operation with plans to develop an exploration program to establish the continuity of the mineralisation in the exploration target areas and the engagement of a logistics consultant to investigate access to the existing infrastructure along with alternative shipping options.

The Cape Flattery Silica Sands Project is covered by an EPM, as set out below:

Tenement	Project Name	Holder/Applicant	Status	Area
EPM 25734	Cape Flattery	Oresome Australia (100%)	Granted	17 sub blocks

Esmeralda Graphite Project

The Esmeralda Graphite Project is located near Croydon in North Queensland, which covers a combined area of more than 500 km² and is held 100% by Metallica's wholly-owned subsidiary, Touchstone Resources Pty Ltd. In July 2015, Metallica was granted EPMS 25779, 25806 and 25807, which make up the Esmeralda Graphite Project, as set out below.

Igneous or hydro-thermal style graphite deposits, such as the Esmeralda Graphite Project are rare. The more common metamorphic style graphite deposits make up 95% of the world's known graphite deposits. Hydrothermal style graphite deposits are typically of high purity graphite in either flake or crystalline form. Examples of this style of mineralisation include the high grade, narrow vein Sri Lankan deposits and the granite hosted Albany graphite deposit in Canada.

Metallica completed a maiden graphite exploration program in December 2015. In summary the two hole drilling program intersected significant, broad graphite mineralisation with continuous intercepts of:

- WD001 – 95.0 m @ 6.8% Cg from 71 m
- WD002 – 29.1 m @ 7.8% Cg from 72 m

Metallurgical testwork shows that, with standard flotation reagents, a concentrate grade of 91.5% TC was produced at a 91% recovery. This could be further upgraded to 97.8% TC with further purification methods.

No meaningful exploration work was undertaken on the Esmeralda Graphite Project during financial year ended June 30, 2018.

The Esmeralda Graphite Project is covered by EPMs, as set out below:

Tenement	Project Name	Holder/Applicant	Status	Area
EPM 25779	Warrior	Touchstone Resources (100%)	Granted	19 sub blocks
EPM 25806	Esmeralda West	Touchstone Resources (100%)	Granted	80 sub blocks
EPM 25807	Esmeralda East	Touchstone Resources (100%)	Granted	80 sub blocks

Cape York Regional Exploration Projects

Metallica holds an effective 50% ownership interest in the Cape York Regional Exploration Projects through its wholly-owned subsidiary, Oresome Australia. Pursuant to the Oresome Ozore Joint Venture Agreement, the other 50% ownership interest in the Cape York Regional Exploration Projects is held by Ozore Resources. Under the Metallica Joint Venture Agreement, a joint venture management committee was established to manage the Cape York Regional Exploration Projects, with Oresome Australia as the project manager entity.

The Metallica Joint Venture holds extensive regional tenements along the 200 km sandy coastal belt between Weipa and the tip of Cape York Peninsula that are prospective for bauxite and heavy mineral sands. Significant areas of coastal bauxite have previously been identified during a review of the Cape York Regional Exploration Projects tenement portfolio. The target areas are characterised by low lying, partly dissected and undulating laterite plateaus. Data compilation and desk-top studies have outlined 8 prospective plateau zones within the tenements where previous exploration drilling encountered bauxite intervals grading in excess of 40% Al₂O₃.

The Metallica Joint Venture did not undertake any fieldwork on regional heavy mineral sands and bauxite exploration targets during the year ended June 30, 2018. With a clear need to prioritize expenditure commitments, regional exploration is currently on hold.

The Metallica Joint Venture has consolidated the size of its tenement holding and reduced holding and operational costs by surrendering areas considered unlikely to hold significant amounts of mineralisation for development. The Cape York Regional Exploration Projects are covered by EPMs, as set out below:

Tenement	Project Name	Holder/Applicant	Status	Area
EPM 15371	Doughboy	Oresome Australia (50%) and Ozore Resources (50%)	Granted	13 sub blocks
EPM 15372	Jardine	Oresome Australia (50%) and Ozore Resources (50%)	Granted	29 sub blocks
EPM 18015	Jackson River #2	Oresome Australia (50%) and Ozore Resources (50%)	Granted	4 sub blocks
EPM 18737	Sandman #3	Oresome Australia (50%) and Ozore Resources (50%)	Granted	34 sub blocks
EPM 18738	Sandman #2	Oresome Australia (50%) and Ozore Resources (50%)	Granted	48 sub blocks

Tenement	Project Name	Holder/Applicant	Status	Area
		Resources (50%)		
EPM 18998	Sandman #5	Oresome Australia (50%) and Ozore Resources (50%)	Granted	24 sub blocks
EPM 19001	Sandman #6	Oresome Australia (50%) and Ozore Resources (50%)	Granted	21 sub blocks
EPM 25400	Sandman #12	Oresome Australia (50%) and Ozore Resources (50%)	Granted	17 sub blocks
EPM 25482	Sandman #10	Oresome Australia (50%) and Ozore Resources (50%)	Granted	20 sub blocks
EPM 25509	Sandman #11	Oresome Australia (50%) and Ozore Resources (50%)	Granted	41 sub blocks
EPM 25611	Upper Embley	Oresome Australia (50%) and Ozore Resources (50%)	Application	13 sub blocks
EPM 25687	Vrilya East	Oresome Australia (50%) and Ozore Resources (50%)	Granted	78 sub blocks

DIVIDENDS OR DISTRIBUTIONS

Metallica has not declared or paid any dividends on the Metallica Shares for each of the most recently completed financial years and its current financial year. A dividend policy has not been adopted by the Metallica Board. While there are no restrictions precluding Metallica from paying dividends, except as contemplated in the Arrangement Agreement, it anticipates using all available cash resources to progress its stated business objectives. At present, Metallica's policy is to retain earnings, if any, to finance its business operations. The Metallica Board will determine if and when dividends should be declared and paid in the future based on Metallica's financial position at the relevant time. Unless Metallica commences the payment of dividends, holders of Metallica Shares will not be able to receive a return on their Metallica Shares unless they sell them. See *"Risk Factors"* of this Appendix "F".

MANAGEMENT'S DISCUSSION AND ANALYSIS

General

The following MD&A has been prepared as at or for the financial years ended June 30, 2018 and 2017 (the **"relevant reporting periods"**) and should be read in conjunction with the remainder of this Appendix "F", including sections entitled *"Risk Factors"* in this Appendix "F" and Metallica's audited financial statements and related notes thereto attached to the Circular as Appendix "H". Metallica's financial statements are prepared in accordance with the Australian Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board (the **"AASB Standards"**) and are International Financial Reporting Standards (**"IFRS"**)-compliant. Metallica consistently applied the same accounting policies throughout all periods presented, except for the adoption of new standards and interpretations effective during the relevant periods, which had no material impact to the financial statements. Metallica's financial year ends on June 30 and its reporting currency is the Australian dollar, unless otherwise noted. Management of Metallica is responsible for the preparation of the financial statements and the following MD&A.

The MD&A contains forward-looking information, such as statements regarding Metallica's future plans and objectives that are subject to various risks and uncertainties, and those set forth in *"Forward-Looking Information"* in this Circular and *"Risk Factors"* in this Appendix "F". Metallica cannot assure investors that such information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such

information. The results for the periods presented are not necessarily indicative of the results that may be expected for any future periods. Investors are cautioned not to place undue reliance on this forward-looking information.

Critical Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements, estimates and assumptions, in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that management believes to be reasonable under the circumstances. The resulting accounting judgements, estimates and assumptions will seldom be the same as the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based Payment Transactions

Metallica measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments will have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Impairment of Plan and Equipment

Metallica assesses impairment of plant and equipment at each reporting date by evaluating conditions specific to Metallica and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

Significant judgements and assumptions were required in making an estimate of the fair value of the capital works in progress associated with the Metallica Joint Venture. The estimated fair value was determined based on enquiries of independent parties.

Exploration and Evaluation Costs

Exploration and evaluation costs have been capitalised on the basis that Metallica will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Significant Accounting Policies

The audited financial statements for the relevant reporting periods have been prepared in accordance with the AASB Standards and the Corporations Act (Australia). The principal accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated. Metallica's significant accounting policies are provided in Note 1 to Metallica's audited annual financial statements for the year ended June 30, 2018, which are contained in Appendix "H" to this Circular.

New, Revised or Amending Accounting Standards and Interpretations Adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by Metallica for the annual reporting period ended June 30, 2018. Metallica's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to Metallica, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after January 1, 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 '*Financial Instruments: Recognition and Measurement*'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ("**OCI**"). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an expected credit loss ("**ECL**") model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. Metallica will adopt this standard from July 1, 2018. The reported results and position of Metallica will not change on adoption of this standard as it does not result in any changes to Metallica's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after January 1, 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. Metallica will adopt this standard from July 1, 2018. Metallica currently does not have any significant revenue contracts with customers that may be impacted by this standard.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after January 1, 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term

leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. Metallica will adopt this standard from July 1, 2019 but the impact of its adoption is yet to be assessed by Metallica.

Financial Instruments

Metallica's financial instruments consist of cash and cash equivalents and other receivables. Cash and cash equivalents in the balance sheet comprise of cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Operating Segments

Metallica has identified its operating segments based on the internal reports that are reviewed and used by the Metallica Board (chief operating decision makers) in assessing performance and determining the allocation of resources. Metallica 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 Metallica Board. Metallica does not have any products/services it derives revenue from.

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

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ("**CODM**"). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Business Risks

Financial Risk

Risk management is carried out under policies set by the Metallica Board. The Metallica Board provides principles for overall risk management, as well as policies covering specific areas. The Metallica Board monitors and manages the financial risk relating to the operations of Metallica. Metallica's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. Metallica's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Metallica. Metallica does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Liquidity Risk

Vigilant liquidity risk management requires Metallica to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. Metallica manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by

continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Metallica. Metallica has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. Metallica obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. Metallica does not hold any collateral.

Off-Balance Sheet Arrangements

Metallica had no off-balance sheet arrangements for the relevant reporting periods.

Additional Disclosure for Issuers without Significant Revenue

The following table sets out a breakdown of all material components of certain costs to Metallica for the financial years ended June 30, 2018, 2017 and 2016. The costs and expenses set out below do not form part of the audited financial statements appended to this Circular.

Mineral Properties – Exploration and Evaluation

The following table sets out the total deferred exploration costs recorded by Metallica for the Urquhart Bauxite Project, the Urquhart Point Heavy Mineral Sands Project, the Cape Flattery Silica Sands Project, the Esmeralda Graphite Project and the Cape York Regional Exploration Projects for the financial years ended June 30, 2018, 2017 and 2016.

	Urquhart Bauxite Project (AUS\$'000)			Urquhart Point Heavy Mineral Sands Project (AUS\$'000)		
	June'18	June '17	June'16	June'18	June '17	June'16
Exploration Expenditures						
Balance, beginning of period	957	296	-	-	-	-
License fee	92	2	2	84	11	22
Assays and geochemistry	-	23	-	-	-	-
Drilling	-	183	11	-	-	-
Geophysics	-	-	-	-	-	-
Travel and lodging	57	47	9	6	-	-
Salaries and labour	106	58	13	7	-	-
Other	248	468	289	47	61	267
Total exploration expenditures	503	781	324	144	72	289
Mineral properties abandoned	-	(120)	(28)	(144)	(72)	(289)
Balance, end of period	1,460	957	296	Nil	Nil	Nil

(cont'd)

	Cape Flattery Silica Sands Project (AUS\$'000)			Esmeralda Graphite Project (AUS\$'000)		
	June'18	June '17	June'16	June'18	June '17	June'16
Exploration Expenditures						
Balance, beginning of period	-	-	-	-	-	-
License fee	2	2	2	27	24	31
Assays and geochemistry	1	-	-	-	-	4
Drilling	-	-	-	-	-	55
Geophysics	-	-	-	-	65	-
Travel and lodging	-	1	-	-	-	-
Salaries and labour	2	2	1	6	10	14
Other	4	-	-	17	20	48
Total exploration expenditures	9	5	3	50	119	152
Mineral properties abandoned	(9)	(5)	(3)	(50)	(119)	(152)
Balance, end of period	Nil	Nil	Nil	Nil	Nil	Nil

(cont'd)

	Cape York Regional Exploration Projects (AUS\$'000)			Total (AUS\$'000)		
	June'18	June '17	June'16	June'18	June '17	June'16
Exploration Expenditures						
Balance, beginning of period	-	-	-	957	296	-
License fee	12	10	11	217	49	68
Assays and geochemistry	-	-	-	1	23	4
Drilling	-	-	-	-	183	66
Geophysics	-	-	-	-	65	-
Travel and lodging	-	-	-	63	48	9
Salaries and labour	6	7	13	127	77	41
Other	68	69	45	384	618	649
Total exploration expenditures	86	86	69	792	1,063	837
Mineral properties abandoned	(86)	(86)	(69)	(289)	(402)	(541)
Balance, end of period	Nil	Nil	Nil	1,460	957	296

General and Administrative Expenses

The following table sets out the general and administrative expenses of Metallica for the financial years ended June 30, 2018, 2017 and 2016.

	As at or for the year ended June 30, 2018 (AUS\$'000)	As at or for the year ended June 30, 2017 (AUS\$'000)	As at or for the year ended June 30, 2016 (AUS\$'000)
Administration expenses	1,062	946	1,152
Wages and management fees	836	778	993
Share-based payments	231	46	143
Total	2,129	1,770	2,288

Variations in administration expenses are based on level of corporate activities from period to period. The year ended June 30, 2016 included payouts of 2 employees' entitlements. Share based payments were higher in 2018 than the previous years.

Project Plans and Budgets

Metallica is focused on development of the Urquhart Bauxite Project.

The key priorities and tasks to achieve the objectives are as follows:

1. obtain a mining lease from the Queensland State Government and the requisite federal government approval in accordance with the *Environmental Protection and Biodiversity Conservation Act 1999* (Cth). Metallica has obtained the requisite lease and approval;
2. obtain the required Federal Government approval to build the 15km haul road connecting the proposed Urquhart Bauxite Project to existing port infrastructure at Hey Point; and
3. secure off-take and sales contracts for the bauxite.

The table below sets out a summary of the completed activities and expenditures as at and for the financial year ended June 30, 2018. The table below also sets out Metallica's plans for its properties and the planned expenditures for each of its properties. The table below includes forward-looking information and readers are encouraged to refer to "*Forward-Looking Information*":

Property	Summary of Completed Activities (July 1, 2017 to June 30, 2018)	Expenditures (Year ended June 30, 2018) (AUS\$)	Plans for the Property⁽¹⁾	Planned Expenditures⁽¹⁾ (AUS\$)
Urquhart Bauxite Project	• Grant of Mining Lease; and • Progressing haul road approval.	1,090,000	<u>2019</u> : Commence production and shipping, subject to final approvals.	<u>2019</u> : 500,000
Other Mineral Properties ⁽²⁾	N/A. No work was conducted apart from maintaining tenements by paying rentals and reporting. Minor work on Cape Flattery Silica Sands Project.	-	No further work is planned apart from maintaining the tenements, whilst focus is on the Urquhart Bauxite Project.	<u>2019</u> : 200,000

Notes:

1. This information is considered forward-looking information. See "*Forward-Looking Information*" of this Circular.
2. This includes the Urquhart Point Heavy Mineral Sands Project, the Cape Flattery Silica Sands Project, the Esmeralda Graphite Project and the Cape York Regional Exploration Projects.

MD&A for the Year Ended June 30, 2018

The information included in the MD&A for the year ended June 30, 2018 is current as of October 1, 2018.

Review of Operations

During the 2018 financial year, the principal activities of Metallica consisted of mineral exploration, evaluation and progressing development of its Urquhart Bauxite Project and due diligence on the Wagina Project. There were no significant changes in the principal activities of Metallica, except that Metallica commenced due diligence on the Wagina Project in exchange for providing a short-term loan of AUSD186,017 to South West (75% owner of Wagina Project).

Urquhart Bauxite Project

The Urquhart Bauxite Project is located 5 km southwest of Weipa on the west coast of Queensland's Cape York Peninsula, a region renowned for its extensive deposits of high-quality pisolitic bauxite. The project consists of two bauxite plateaux, known as Area A and Area B, which are wholly contained within the granted mining lease.

The Queensland state government granted the mining lease for the Urquhart Bauxite Project in January 2018, and the federal government approved the development of the Urquhart Bauxite Project in accordance with the *Environmental Protection and Biodiversity Conservation Act 1999* in August 2017.

The federal government has appropriately conditioned the development and those conditions are in line with Metallica's expectations. Metallica is now waiting on the approval of the Australian federal government to build the 15 km haul road connecting the proposed Urquhart Bauxite Project to existing port infrastructure at Hey Point, which is the final government approval required before construction on the project can begin.

Metallica has continued discussions with various stakeholders around securing this approval and it has now been substantially elevated within the Queensland state government. Once the haul road approval is received the period to bring the Urquhart Bauxite Project into production will be just 4 to 6 weeks dependent on the wet season.

The Urquhart Bauxite Project's JORC (2012) resource estimate was updated in November 2016, following a drilling program completed in August 2016. The total mineral resource increased by 26% to 9.5 Mt, with 6.9 Mt being in the Measured and Indicated categories. An additional 8.5 Mt of lower grade transitional material, over and above the 9.5 Mt, has been identified for potential beneficiation through dry screening.

Urquhart Bauxite Project Reserves

	Area	Direct Shipping Bauxite (Low Temp) (Dry kt)	Al ₂ O ₃ (%)	SiO ₂ (%)	THA (%)	Low Temp RSi (%)
Proved	A	2,964	53.7	12.3	42.3	5.4
Probable	A	3,568	51.9	14.2	39.1	5.9
Ore Reserve	A	6,532	52.7	13.3	40.6	5.7

Further investigation of the potential of this transitional material will be completed when mining is underway.

Following the updated JORC (2012) Resource estimate, a pre-feasibility study was completed in 2016 and a further updated pre-feasibility study was completed in September 2018. The updated pre-feasibility study was independently prepared by Brisbane-based international consultancy, IMC, which also completed the JORC (2012) resources estimate. Industry leading independent bauxite analyst, CM Group has provided an updated US\$ price of bauxite on an as delivered basis (CFR Shandong, China). This differs from the 2016 pre-feasibility study, which used a free on board US\$ bauxite price. Since 2016, there has been a material increase in US\$ denominated shipping rates that has had a direct effect on the Urquhart Bauxite Project. To a lesser extent changes in bauxite price forecasts and foreign exchange rates have also impacted on the Urquhart Bauxite Project's forecast revenue.

Urquhart Bauxite Project Direct Shipping (DBS) Mineral Resource at an effective cut off of 48% Al₂O₃

Classification	Area	Mt	Al₂O₃%	SiO₂%	AAI%	RSi%
Measured	A	3.0	54.4	11.8	43.2	5.0
Indicated	A	3.9	53.3	13.1	40.8	5.2
Inferred	A	0.3	54.2	11.3	42.0	4.7
	B	2.3	49.9	17.4	37.2	6.0
	Subtotal	2.6	50.3	16.8	37.6	5.9
Total		9.5	52.8	13.7	40.7	5.3

Urquhart Point Heavy Mineral Sands Project

The Urquhart Point HMS Project is located 3 km southwest of Weipa. The Metallica Joint Venture Agreement envisages a simple dry mining (< 3 m depth) and wet processing operation using standard gravity (spiral concentrators) HMS separation to produce a zircon–rutile heavy mineral concentrate.

The modularised HMS processing plant purpose built in South Africa for the project arrived in Australia in December 2015 and is currently stored near Brisbane. Although heavy mineral sands prices have improved, the Metallica Joint Venture Agreement has deferred construction of the processing plant to focus on the higher value Urquhart Bauxite Project.

Metallica continues to receive third party approaches in relation to the Urquhart Point HMS project and processing plant and remains committed to potentially realise value from the asset.

The HMS development plan could also be implemented very quickly to deliver production if there is a continued improvement in commodity prices.

Cape Flattery Silica Sands Project

The Cape Flattery Silica Sands Project is located approximately 200 km north of Cairns in North Queensland and is adjacent to Mitsubishi Corporation's Cape Flattery Silica Sands mine, the worlds largest silica sands mine.

In April 2018, a low cost maiden sampling program identified three target areas with SiO₂ percentages of greater than 99%. These target areas form the basis of the exploration target developed by Metallica of 20 Mt to 100 Mt of high purity silica sands, with in situ quality ranging between 96.9% and 99.6% SiO₂.

Metallica plans to develop an exploration program to determine whether the silica sand deposit currently being mined in the adjacent mining leases by Mitsubishi Corporation continues onto the leases held by Metallica, as appears to be the case.

An independent logistics consultant has been engaged to investigate access to the existing loadout facilities and the jetty infrastructure at Cape Flattery.

Esmeralda Graphite Project

The Esmeralda Graphite Project, located near Croydon in north Queensland, covers a combined area of more than 370 km² and is held 100% by Metallica's wholly-owned subsidiary, Touchstone Resources.

No meaningful exploration work was undertaken on the Esmeralda Graphite Project during the year ended June 30, 2018. The Esmeralda Graphite Project has a low holding cost and has the potential to deliver value in the future.

Cape York Regional Exploration Projects

The Metallica Joint Venture Agreement holds extensive regional tenements along the 200 km coastal belt between Weipa and Northern Cape York Peninsula that are prospective for bauxite and HMS.

The Metallica Joint Venture Agreement did not undertake any fieldwork on its regional bauxite and HMS exploration targets during the year. With a clear focus on the Urquhart Bauxite Project, significant areas of coastal bauxite have previously been identified during a review of the Cape York tenement portfolio. The target areas are characterised by low lying, partly dissected and undulating laterite plateaus. Data compilation and desk– top studies have outlined 8 prospective plateau zones within the tenements where previous exploration drilling encountered bauxite intervals grading in excess of 40% Al₂O₃.

The Metallica Joint Venture Agreement has consolidated the size of its tenement holding and reduced holding and operational costs by surrendering areas considered unlikely to hold significant amounts of mineralisation for development.

The potential quantity and grade of the bauxite deposits are conceptual in nature. There is insufficient information at this time to define a mineral resource and there is no certainty that further exploration will result in the determination of a mineral resource in these areas.

Summary of Annual Results

	As at or for the year ended June 30, 2018 (AUS\$)	As at or for the year ended June 30, 2017 (AUS\$)	As at or for the year ended June 30, 2016 (AUS\$)
Cash and cash equivalents	6,113,196	3,737,143	1,530,184
Trade and other receivables	47,821	91,258	63,869
Current tax receivable	-	-	300,000
Held to maturity investments	-	-	757,064
Other current assets	1,650,000	-	37,029
Property, plant and equipment	1,057,258	1,011,315	1,993,651
Exploration and evaluation	1,459,500	957,648	296,290
Other non-current assets	141,316	290,277	297,125
Trade and other payables	326,082	158,801	302,768
Employee benefits (current)	117,954	102,498	35,144
Employee benefits (non-current)	-	-	43,727
Net assets	10,025,055	5,826,342	4,893,573
Total income	6,200,713	532,401	1,349,469
Total expenses	3,005,156	3,091,522	7,096,800
Profit (loss) after income tax	3,195,557	(2,559,121)	(5,747,331)
Total comprehensive income (loss) for the period	3,195,557	(2,559,121)	(5,747,331)
Basic and diluted earnings (loss) per Metallica Share (AUS\$/Metallica Share)	0.0099 / 0.0097	(0.0105) / (0.0105)	(0.0323) / (0.0323)

Summary of Half Year Results

	As at or for the year ended June 30, 2018 (AUS\$)	As at or for the half year ended December 31, 2017 (AUS\$)	As at or for the year ended June 30, 2017 (AUS\$)	As at or for the half year ended December 31, 2016 (AUS\$)
Cash and cash equivalents	6,113,196	7,905,023	3,737,143	1,243,056
Trade and other receivables	47,821	13,649	91,258	8,179
Current tax receivable	-	-	-	150,425
Held to maturity investments	-	-	-	-
Other current assets	1,650,000	1,650,000	-	21,362
Property, plant and equipment	1,057,258	1,008,597	1,011,315	1,991,598

	As at or for the year ended June 30, 2018 (AUS\$)	As at or for the half year ended December 31, 2017 (AUS\$)	As at or for the year ended June 30, 2017 (AUS\$)	As at or for the half year ended December 31, 2016 (AUS\$)
Exploration and evaluation	1,459,500	1,239,107	957,648	752,300
Other non-current assets	141,316	282,778	290,277	290,277
Trade and other payables	326,082	747,509	158,801	229,272
Employee benefits (current)	117,954	111,379	102,498	39,991
Other current liabilities	-	-	-	-
Employee benefits (non-current)	-	-	-	45,052
Net assets	10,025,055	11,240,266	5,826,342	4,142,882
Total income	6,200,713	6,078,957	532,401	399,349
Total expenses	3,005,156	1,373,009	3,091,522	1,156,544
Profit (loss) after income tax	3,195,557	4,642,398	(2,559,121)	(757,195)
Total comprehensive income (loss) for the period	3,195,557	4,642,398	(2,559,121)	(757,195)
Basic and diluted earnings (loss) per Metallica Share (AUS\$/Metallica Share)	0.0099 / 0.0097	0.0145 / 0.0145	(0.0105) / (0.0105)	(0.0033) / (0.0033)

Results of Operations

The profit for Metallica for the year ended June 30, 2018, after providing for income tax amounted to AUS\$3,195,557 (June 30, 2017: loss of AUS\$2,559,121).

The consolidated profit for the year ended June 30, 2018 includes a gain of AUS\$6,000,000 arising on the disposal of the SCONI Project. The impairment of exploration and evaluation expenditure and financial assets for the year ended June 30, 2018 amounted to AUS\$289,140 compared to AUS\$950,481 for the year ended June 30, 2017.

During the year ended June 30, 2018, Metallica:

- a. continued to advance its Urquhart Bauxite Project and appointed Bigbites Ltd., a specialist bauxite marketing company based in Hong Kong, as its marketing agent for sales of bauxite from the Urquhart Bauxite Project;
- b. entered into the Australian Mines JV Agreement with Australian Mines to dispose of Metallica's interests in the SCONI Project for AUS\$10,000,000 in cash and shares to Australian Mines (ASX:AUZ). In December 2017, an additional payment of AUS\$1,000,000 became payable to Metallica for varying the Australian Mines JV Agreement, bringing the total sale and purchase price to AUS\$11,000,000. Metallica has received the first tranche of funds of AUS\$3,500,000 and the additional payment of AUS\$1,000,000 from Australian Mines. Metallica was also granted AUS\$1,500,000 in Australian Mines shares (16,811,916 shares) in July 2018. Following the commencement of commercial production at the SCONI Project, a further AUS\$5,000,000 in cash or issuance of Australian Mines shares will become due. The SCONI Project had a nil carrying value at the date of disposal, and as a result, Metallica recognised a net gain on disposal of AUS\$6,000,000, representing the first tranche of funds, the additional payments and consideration shares received;
- c. raised AUS\$853,103 (before expenses) from the exercise of all of the outstanding 20,215,706 Listed Metallica Options (ASX:MLMOA). Including previous exercises, a total of AUS\$1,270,000 was raised from the exercise of the Listed Metallica Options;
- d. was granted a mining lease for the Urquhart Bauxite Project by the Queensland Department of Natural Resources. The Queensland Department of Natural Resources has imposed conditions on

the development of the Urquhart Bauxite Project that are in line with Metallica's plans and expectations. Included among such conditions is the requirement that operations are only conducted during the dry season (April through December, inclusive). Metallica is now focused on obtaining approval for the proposed haul road from the mining lease to the Hey Point transshipping facility; and

- e. entered into a secured loan agreement with South West (75% owner of the Wagina Project). In exchange for the providing the loan, Metallica was granted an option to carry out exclusive due diligence on the Wagina Project with a view to ultimately completing a transaction involving the Wagina Project. Under the agreement, the exclusivity extends for the period the loan is outstanding. The amount advanced is AUS\$186,017 for a period of 12 months and at an interest rate of 15% per annum. The loan has been impaired at June 30, 2018 to reflect absence of certainty regarding repayment of that loan.

Capital Expenditure

For the year ended June 30, 2018, AUS\$604,975 was incurred on capitalised exploration and development expenditure (2017: AUS\$811,653). The majority of the expenditure incurred was on the Urquhart Bauxite Project exploration and development assets.

Cash Flow and Liquidity

During the 2018 financial year, net cash outflows from operating activities increased to AUS\$2,202,732 (2017: AUS\$1,953,482). The increase is largely attributable to an increase in project expenses, advertising, marketing and promotional costs.

For the year ended June 30, 2018, net cash inflows from investing activities amounted to AUS\$3,807,258 (2017: AUS\$715,054). The increase in net cash inflows was largely attributable to the receipt of AUS\$4,500,000 from the sale of the SCONI Project. In the 2017 financial year, the consolidated entity received cash inflows totalling AUS\$1,482,359, consisting of a research and development tax offset, proceeds from entering into the Australian Mines JV Agreement, and proceeds from maturity of investments, non of which occurred in the 2018 financial year. For the year ended June 30, 2018, cash outflows for plant and equipment, mining development assets and exploration and evaluation amounted to AUS\$604,975 (2017: AUS\$811,653).

The primary use of funds for the 2019 fiscal year will be the continuation of exploration and development activities at the Urquhart Bauxite Project, due diligence and assessment of the Wagina Project and for working capital purposes.

Metallica has no history of revenues from its operating activities and Metallica has financed its activities by raising capital through equity issuances. Given the nature of Metallica's current activities, it will remain dependent on equity funding in the short to medium term until such time as Metallica becomes self-financing from the commercial production of mineral resources.

The following table summarizes Metallica's contractual obligations as at June 30, 2018 and the effect such obligations are expected to have on its liquidity and cash flows in future periods:

Contractual Obligations	Payments Due by Period				
	Less than 1 year (AUS\$)	1 - 3 years (AUS\$)	4 - 5 years (AUS\$)	After 5 years (AUS\$)	Total (AUS\$)
Trade payables	100,967	-	-	-	100,967
Business activity statements payable	138,472	-	-	-	138,472
Other payables	86,643	-	-	-	86,643
Employee	117,954				117,954

Contractual Obligations	Payments Due by Period				
	Less than 1 year (AUS\$)	1 - 3 years (AUS\$)	4 - 5 years (AUS\$)	After 5 years (AUS\$)	Total (AUS\$)
benefits payable					
Total	444,036				444,036

Financing

For a description of the financing activities undertaken by Metallica for the year ended June 30, 2018, see "General Development of Metallica's Business – Three-Year History – 2018" of this Circular.

Matters Subsequent to the End of the Financial Period

On September 13, 2018, Metallica announced that it had entered into a binding Arrangement Agreement to merge with Melior via a Plan of Arrangement to be approved by the Supreme Court of British Columbia. The Arrangement is to be implemented by way of a Plan of Arrangement, whereby Metallica has agreed to acquire all of the issued capital of Melior for the issue of 20 new Metallica Shares for every 1 Melior Share held. Melior Shareholders and Metallica shareholders will hold approximately 64% and 36% respectively of the Combined Company. The Arrangement Agreement contains a number of conditions precedent including: receipt of all regulatory, court and all other required approvals; and Metallica and Melior shareholder approval. The Arrangement is anticipated to be effective by December 2018, pending approvals.

On September 12, 2018, Metallica announced the results of the updated pre-feasibility study for Metallica's 50%-owned Urquhart Bauxite Project. The updated pre-feasibility study was independently prepared by Brisbane-based international consultancy, IMC, which also completed the JORC (2012) resources estimate for the Urquhart Bauxite Project.

On July 6, 2018, Metallica was allotted 16,811,916 shares in Australian Mines under the Australian Mines JV Agreement. The value of the Australian Mines shares allotted was AUS\$1,500,000 based on the 30-day VWAP for the Australian Mines shares on the ASX at the time of issue.

On October 11, 2018, Metallica received the Requisition with the accompanying Metallica Meeting Materials under section 249D of the Corporations Act (Australia). The Requisition is seeking to convene a meeting of Metallica shareholders to consider resolutions to remove the current members of the Metallica Board and replace those members with three nominees the details of which are contained in the Requisition. Metallica is investigating the validity of the Metallica Meeting Materials and to the extent that the Metallica Meeting Materials adhere to the requirements of the Corporations Act (Australia), Metallica will comply with its obligations to convene the meeting.

On October 22, 2018, Metallica announced that it had reviewed the Requisition and concluded that the Requisition does not comply with the requirements in the Corporations Act (Australia). Metallica further noted that it cannot act on an invalid notice to requisition and thus cannot call a meeting as requested in the Requisition.

No other matter or circumstance has arisen since June 30, 2018 that has significantly affected, or may significantly affect Metallica's operations, the results of those operations, or Metallica's state of affairs in future financial years.

Share Capital

As at June 30, 2018, Metallica had: 322,447,408 Metallica Shares; 38,000,102 Listed Metallica Options (to acquire fully-paid Metallica Shares at a price of AUS\$0.085 per Metallica Share expiring September 30, 2018); 1,000,000 Metallica Options; and 7,000,000 Metallica Rights issued and outstanding.

Transactions between Related Parties*Transaction with Related Parties*

The following transactions occurred with related parties during the periods indicated:

Description	Consolidated	
	June 30, 2018 (AUS\$)	June 30, 2017 (AUS\$)
Other transactions:		
Subscription for new Metallica Shares by key management personnel as a result of the vesting of Metallica Rights	-	40,000
Subscription for new Metallica Shares by key management personnel as a result of the Metallica March 2017 Rights Issue.	-	69,680

Receivables from and Payable to Related Parties

There were no trade receivables from or trade payables to related parties as at the years ended June 30, 2018 and 2017.

Loans to/from Related Parties

There were no loans to or from related parties as at the years ended June 30, 2018 and 2017.

Contingent Liabilities

Metallica had no contingent liabilities as at June 30, 2018 and 2017.

Commitments

Metallica had no capital commitments for property, plant and equipment at as June 30, 2018 and 2017.

MD&A for the Year Ended June 30, 2017

The information included in the MD&A for the year ended June 30, 2017 is current as of September 21, 2017.

Review of Operations

During the 2017 financial year, the principal activities of Metallica consisted of mineral exploration, evaluation and progressing development of its Urquhart Bauxite Project. There were no significant changes in the principal activities of Metallica.

Urquhart Bauxite Project

The Urquhart Bauxite Project is located approximately 5 km southwest of Weipa on the west coast of Queensland's Cape York Peninsula. The Western Cape York area is world-renowned for its extensive deposits of high-quality, export-grade pisolitic bauxite. The Urquhart Bauxite Project consists of two bauxite plateaux, known as Area A and Area B, which are wholly contained within the lease.

Subsequent to the end of the 2017 financial year-end, the Australian federal government approved the development of the Urquhart Bauxite Project in accordance with the *Environmental Protection and Biodiversity Conservation Act 1999* in August 2017. The Australian federal government appropriately conditioned the development and those conditions were in line with Metallica's expectations.

Metallica is awaiting Queensland state government approval for the mining lease and environmental authority whilst still progressing a separate approval for the haul road linking the Urquhart Bauxite Project to the established port infrastructure at Hey Point. Metallica remains confident on receiving the above approvals.

The Urquhart Bauxite Project's JORC (2012) Resource estimate was updated in November 2016, following a drilling program completed in August 2016. The total mineral resource increased by 26% to 9.5 Mt, with 6.9 Mt being in the Measured and Indicated categories. An additional 8.5 Mt of lower grade transitional material, over and above the 9.5 Mt, has been identified for potential beneficiation through dry screening. Further investigation of the potential of this transitional material will be completed when mining is underway.

Following the updated JORC (2012) Resource estimate, a pre-feasibility study was completed highlighting that the development of the Urquhart Bauxite Project had the potential to deliver strong financial returns for minimal capital expenditure. By utilising a contractor model that transferred risk and capital away from Metallica, Metallica is able to maximise returns to shareholders. The contract executed with LCR Group Pty Ltd delivers on this strategy with costs in line with assumptions contained within the pre-feasibility study.

The pre-feasibility study was independently prepared by Brisbane-based international consultancy, IMC, which also completed the update of the JORC (2012) Resource estimate. London-based independent metals analyst, CRU International, estimated the free on board US\$ price of bauxite received utilising the life of mine schedule produced by IMC.

Urquhart Point Heavy Mineral Sands Project

The Urquhart Point HMS Project is located 3 km southwest of Weipa. The Metallica Joint Venture Agreement envisages a simple dry mining (< 3 m depth) and wet processing operation using standard gravity (spiral concentrators) HMS separation to produce a zircon-rutile heavy mineral concentrate.

The modularised HMS processing plant purpose built in South Africa for the project, arrived in Australia in December 2015 and is currently stored near Brisbane. Although heavy mineral sands prices have improved, the Metallica Joint Venture Agreement has deferred construction of the processing plant to focus on the higher value bauxite Urquhart Bauxite Project.

Following several approaches from third parties, the Metallica Joint Venture Agreement is progressing several HMS options that may deliver value to this asset within the Metallica Joint Venture Agreement.

The HMS development plan can be implemented very quickly to deliver production if there is a continued improvement in commodity prices.

Cape Flattery Silica Sands Project

The Cape Flattery Silica Sands Project is located approximately 200 km north of Cairns in North Queensland. The exploration permit covers part of a large quaternary sand dune field, a section of which is currently being mined by Cape Flattery Silica Mines Pty Ltd, a wholly-owned subsidiary of Mitsubishi Corporation.

The Cape Flattery Silica Sands Project operation has operated since 1967 and is the world's largest silica sand mining operation. The dune field is known to contain high-grade silica sands. Metallica will evaluate its potential for development as a silica sand mining and bulk shipping operation.

Esmeralda Graphite Project

In July 2015, Metallica was granted EPM 25779, EPM 25806 and EPM 25807, which make up the Esmeralda Graphite Project. The Esmeralda Graphite Project, located near Croydon in north Queensland, covers a combined area of more than 500 km² and is held 100% by Metallica's wholly-owned subsidiary, Touchstone Resources.

In October 2015, a graphite specific drilling program commenced. The assay results confirmed thick graphite (graphitic carbon – Cg) mineralised intervals in the first 2 exploration holes.

The core was assayed for graphite content and total carbon. In summary, both drill holes (in a vertical two-hole drilling program) intersected significant broad graphite mineralisation (using a 3% Cg cut-off) with continuous intercepts of 15:

WD001 – 95.0 m @ 6.5% Cg from 71 m
WD002 – 29.1 m @ 7.8% Cg from 71.9 m

Standard procedures that involved crushing and preparation of representative drill core samples for bench scale floatation test work showed that a concentrate grade of 91.5% TC (90.6% Cg) was able to be produced at a 91.0% recovery. Further purification test work using an additional single stage caustic bake and wash process, produced an even higher concentrate grade of 97.8% TC16.

Metallica completed an electromagnetic geophysics program in October 2016 to identify near-surface graphite mineralisation for follow up drill testing. Analysis of the EM geophysics program failed to identify any near-surface graphite mineralisation targets in the survey area, which covers 3.5% of the total Esmeralda Graphite Project area.

Metallica plans to review the Esmeralda Graphite Project area to identify other locations that may contain near-surface graphite mineralisation. This strategy may include a modest exploration field program during 2017.
Cape York Regional Exploration Projects

The Metallica Joint Venture Agreement holds extensive regional tenements along the 300 km sandy coastal belt between Weipa and the tip of Cape York Peninsula that are prospective for bauxite and HMS.

The Metallica Joint Venture Agreement did not undertake any field work on its regional bauxite and HMS exploration targets during the year. With a clear focus on the Urquhart Bauxite Project, regional exploration is currently on hold.

Significant areas of coastal bauxite have previously been identified during a review of the Cape York tenement portfolio. The target areas are characterised by low lying, partly dissected and undulating laterite plateaus. Data compilation and desk-top studies have outlined eight prospective plateau zones within the tenements where previous exploration drilling encountered bauxite intervals grading in excess of 40% Al₂O₃. An initial combined bauxite Exploration Target across the regional Cape York tenements is in the range of 42 Mt to 128 Mt. The Metallica Joint Venture has consolidated the size of its tenement holding and reduced holding and operational costs by surrendering areas considered unlikely to hold significant amounts of mineralisation for development.

Summary of Annual Results

	As at or for the year ended June 30, 2017 (AUS\$)	As at or for the year ended June 30, 2016 (AUS\$)	As at or for the year ended June 30, 2015 (AUS\$)
Cash and cash equivalents	3,737,143	1,530,184	1,440,755
Trade and other receivables	91,258	63,869	165,659
Inventories	-	-	147,100
Current tax receivable	-	300,000	-
Held to maturity investments	-	757,064	250,657
Other current assets	-	37,029	52,039
Property, plant and equipment	1,011,315	1,993,651	2,002,790
Exploration and evaluation	957,648	296,290	5,018,477
Other non-current assets	290,277	297,125	318,275
Trade and other payables	158,801	302,768	257,949
Employee benefits (current)	102,498	35,144	214,196
Employee benefits (non-current)	-	43,727	28,010
Net assets	5,826,342	4,893,573	8,895,597
Total income	532,401	1,349,469	5,063,239
Total expenses	3,091,522	7,096,800	12,785,592
Loss after income tax	(2,559,121)	(5,747,331)	(7,722,353)

	As at or for the year ended June 30, 2017 (AUS\$)	As at or for the year ended June 30, 2016 (AUS\$)	As at or for the year ended June 30, 2015 (AUS\$)
Total comprehensive loss for the period	(2,559,121)	(5,747,331)	(7,722,353)
Basic and diluted loss per Metallica Share (AUS\$/Metallica Share)	(0.0105) / (0.0105)	(0.0323) / (0.0323)	(0.0465) / (0.0465)

Summary of Half Year Results

	As at or for the year ended June 30, 2017 (AUS\$)	As at or for the half year ended December 31, 2016 (AUS\$)	As at or for the year ended June 30, 2016 (AUS\$)	As at or for the half year ended December 31, 2015 (AUS\$)
Cash and cash equivalents	3,737,143	1,243,056	1,530,184	638,360
Trade and other receivables	91,258	8,179	63,869	137,676
Current tax receivable	-	150,425	300,000	-
Held to maturity investments	-	-	757,064	253,715
Other current assets	-	21,362	37,029	47,779
Property, plant and equipment	1,011,315	1,991,598	1,993,651	2,060,015
Exploration and evaluation	957,648	752,300	296,290	253,198
Other non-current assets	290,277	290,277	297,125	299,625
Trade and other payables	158,801	229,272	302,768	254,530
Employee benefits (current)	102,498	39,991	35,144	21,103
Other current liabilities	-	-	-	100,000
Employee benefits (non-current)	-	45,052	43,727	41,739
Net assets	5,826,342	4,142,882	4,893,573	3,272,996
Total income	532,401	399,349	1,349,469	498,421
Total expenses	3,091,522	1,156,544	7,096,800	6,192,986
Loss after income tax	(2,559,121)	(757,195)	(5,747,331)	(5,694,565)
Total comprehensive loss for the period	(2,559,121)	(757,195)	(5,747,331)	(5,694,565)
Basic and diluted loss per Metallica Share (AUS\$/Metallica Share)	(0.0105) / (0.0105)	(0.0033) / (0.0033)	(0.0323) / (0.0323)	(0.0341) / (0.0341)

Results of Operations

For the year ended June 30, 2017, the loss for Metallica after providing for income tax amounted to AUS\$2,559,121 (June 30, 2016: AUS\$5,747,331).

Impairments of exploration and evaluation expenditure, mining assets and property, plant and equipment for the year ended June 30, 2017 amounted to AUS\$950,481 compared to AUS\$4,430,846 for the year ended June 30, 2016. The reduction in impairments has accounted for most of the decrease in the 2017 loss after tax when compared to the 2016 financial year.

During the year ended June 30, 2017, Metallica:

- f. continued to advance its Urquhart Bauxite Project and:
 - (a) announced a maiden JORC (2012) compliant measured and indicated mineral resource for its 50% owned Urquhart Bauxite Project;

- (b) completed a pre-feasibility study for the Urquhart Bauxite Project. The Urquhart Bauxite Project consists of 2 bauxite plateaus, known as Area A and Area B. A Mining Lease Application (MLA 100044) covering Area A and Area B has been lodged. The highest margin bauxite in Area A is targeted for first production in the third calendar quarter of 2017;
 - (c) following recent capital raisings, funded its portion of the required capital has adequate funds to develop the Urquhart Bauxite Project. Discussions have also commenced with potential off-take partners and it is envisaged that off-take will be secured prior to commencing development; and
 - (d) received confirmation from Queensland's Department of Environment and Heritage Protection and from the Department of the Environment (Commonwealth) that the Urquhart Bauxite Project does not require an environmental impact statement to be completed;
- g. executed a binding agreement to enter into the Australian Mines JV Agreement with Australian Mines over Metallica's 100% owned SCONI Project. Metallica received an option fee of AUS\$25,000 and a payment of AUS\$250,000 on execution of the Australian Mines JV Agreement. Australian Mines is able to earn a 50% interest in the SCONI Project after completing a definitive feasibility study or having expended AUS\$10 million on the definitive feasibility study within 4 years of the execution date of the Australian Mines JV Agreement. Australian Mines is able to earn a further 25% interest in the SCONI Project after arranging suitable finance to fund the development plan in the definitive feasibility study.
 - h. completed a renounceable rights issue offered on the basis of 1 new Metallica Share for every 4 Metallica Shares held at AUS\$0.052 per Metallica Share. With every 2 new Metallica Shares, investors received a free Listed Metallica Option with an exercise price of AUS\$0.085 per Metallica Share. A total of 64,200,082 new Metallica Shares were issued, raising AUS\$3,338,404 before transaction costs; and
 - i. received AUS\$438,651 from the exercise of Listed Metallica Options that expired on June 30, 2017.

Capital Expenditure

During the 2017 financial year, AUS\$811,653 was incurred on capitalised exploration and development expenditure (2016: AUS\$430,224). The majority of the expenditure incurred was on the Urquhart Bauxite Project exploration and development assets.

Cash Flow and Liquidity

For the year ended June 30, 2017, Metallica had net cash outflows from operating activities of AUS\$1,953,482 (2016: AUS\$2,046,616). The reduction in net cash outflows is largely attributable to a reduction in payments to employees and other expenses.

For the year ended June 30, 2017, net cash inflows from investing activities amounted to AUS\$715,054 (2016: AUS\$533,993). In the 2017 financial year, Metallica received a research and development tax offset of AUS\$450,295 (2016: nil); received AUS\$275,000 from entering into the Australian Mines JV Agreement; and the movements in term deposits that were previously shown under 'investing activities' were reclassified to cash and cash equivalents resulting in an inflow of AUS\$757,064. For the year ended June 30, 2017, cash outflows for plant and equipment, mining development assets and, exploration and evaluation amounted to AUS\$811,653 (2016: AUS\$1,256,811).

The primary use of funds over 2018 will be the continuation of exploration activities at the Urquhart Bauxite Project and working capital.

Metallica has no history of revenues from its operating activities and Metallica has financed its activities by raising capital through equity issuances. Given the nature of Metallica's current activities, it will remain dependent on equity funding in the short to medium term until such time as Metallica becomes self-financing from the commercial production of mineral resources.

The following table summarizes Metallica's contractual obligations as at June 30, 2017 and the effect such obligations are expected to have on its liquidity and cash flows in future periods:

Contractual Obligations	Payments Due by Period				
	Less than 1 year (AUS\$)	1 - 3 years (AUS\$)	4 - 5 years (AUS\$)	After 5 years (AUS\$)	Total (AUS\$)
Trade payables	133,266	-	-	-	133,266
Other payables	25,535	-	-	-	25,535
Employee benefits payable	102,498	-	-	-	102,498
Total	261,299				261,299

Financing

For a description of the financing activities undertaken by Metallica for the year ended June 30, 2017, see "*General Development of Metallica's Business – Three-Year History – 2017*" of this Appendix "F".

Matters Subsequent to the End of the Financial Period

Subsequent to the end of the 2017 financial year, Metallica raised AUS\$853,102 (before expenses) from the conversion of all of the outstanding 20,215,706 Listed Metallica Options (ASX: MLMOA). Including previous conversions, a total of AUS\$1.27 million was raised from the Listed Metallica Options.

On August 10, 2017, Metallica announced that it had executed binding agreements with a private company to provide a standby credit facility in the principal amount of AUS\$2,000,000. The private company is a related party to an existing shareholder of Metallica.

On September 2, 2017, Metallica entered into a conditional agreement to dispose of its interest in the SCONI Project for AUS\$10 million in cash and shares of Australian Mines (ASX: AUZ).

No other matter or circumstance has arisen since June 30, 2017 that has significantly affected, or may significantly affect Metallica's operations, the results of those operations, or Metallica's state of affairs in future financial years.

Share Capital

As at June 30, 2017, Metallica had 302,231,715 Metallica Shares; 38,000,102 Listed Metallica Options (to acquire fully-paid Metallica Shares at AUS\$0.085 expiring September 30, 2018); 20,216,906 Metallica Options (to acquire fully-paid Metallica Shares at AUS\$0.0422 expiring June 30, 2017); and 7,000,000 Metallica Rights issued and outstanding.

Transactions between Related Parties*Transaction with Related Parties*

The following transactions occurred with related parties during the periods indicated:

Description	Consolidated	
	June 30, 2017 (AUS\$)	June 30, 2016 (AUS\$)
Other transactions:		
Subscription for new Metallica Shares by key management personnel as a result of the vesting of Metallica Rights.	40,000	-
Subscription for new Metallica Shares by key management personnel as a result of the Metallica March 2017 Rights Issue.	69,680	-

Receivables from and Payable to Related Parties

There were no trade receivables from or trade payables to related parties as at the years ended June 30, 2017 and 2016.

Loans to/from Related Parties

There were no loans to or from related parties as at the years ended June 30, 2017 and 2016.

Contingent Liabilities

Metallica had no contingent liabilities as at June 30, 2017 and 2016.

Commitments

Metallica had no capital commitments for property, plant and equipment at as June 30, 2017 and 2016.

DESCRIPTION OF METALLICA'S SECURITIES**Metallica Shares**

The share capital of Metallica is divided into Metallica Shares. The Metallica Shares have no par value and Metallica does not have a limited amount of authorized capital. As at October 19, 2018, 322,447,408 Metallica Shares were issued and outstanding.

All of the Metallica Shares rank equally as to voting rights, participation in a distribution of the assets of Metallica on a liquidation, dissolution or winding-up of Metallica and entitlement to any dividends declared by Metallica. The holders of the Metallica Shares are entitled to receive notice of, and to attend and vote at, all general meetings of shareholders of Metallica. Each Metallica Share carries the right to 1 vote. In the event of the liquidation, dissolution or winding-up of Metallica or any other distribution of the assets of Metallica among its shareholders for the purpose of winding-up its affairs, the holders of the Metallica Shares will be entitled to receive, on a *pro rata* basis, all of the assets remaining after the payment by Metallica of all of its liabilities. The holders of Metallica Shares are entitled to receive dividends as and when declared by the Metallica Board in respect of the Metallica Shares on a *pro rata* basis.

Whenever the capital of Metallica is divided into different classes of shares, the rights attached to any class of share may be altered with the sanction of a special resolution passed at a general meeting and a separate general meeting of the holders of the shares of that class, or with the written consent of the holders of at least 3 quarters of the shares of that class.

The Metallica Shares are currently listed on the ASX under the symbol "MLM". Metallica will, prior to the Effective Time, seek conditional approval from the ASX to list the Metallica Shares comprising the Share Consideration on the ASX. The Metallica Shares are not expected to be listed on a stock exchange in Canada.

Metallica Options

As at October 19, 2018, there were a total of 1,000,000 Metallica Options issued and outstanding, as set out below:

Grant Date	Number of Metallica Options	Exercise Price	Expiry Date
August 3, 2011	1,000,000 ¹	AUS\$0.7000	3 months after production commences at Lucknow or Kokomo deposits at the SCONI Project

Notes:

1. Represents Metallica Options granted to Straits Resources Ltd.

For more information, see "*Options to Purchase Securities*" of this Appendix "F".

On September 1 2004, a wholly-owned direct subsidiary of Metallica, NORNICO Pty Ltd (formerly known as QLD Gold Pty Ltd), entered into a joint venture agreement with Straits Resources Ltd. NORNICO Pty Ltd granted certain rights to Straits Exploration (Australia) Pty Ltd principally with respect to the potential of scandium within EPM10699. Under this joint venture agreement, Straits Exploration (Australia) Pty Ltd had a 5 year period in which to earn a maximum 70% interest in the tenement by contributing a total of AUS\$1,400,000. On August 3, 2011, Metallica issued among other things, 1,000,000 Metallica Options to Straits Resources Ltd for the acquisition of the 20% interest in the scandium rights related to Kokomo and Lucknow resources located at the SCONI Project. On September 6, 2017, Metallica announced that it entered into the SCONI Sale Agreement with Australian Mines, pursuant to which Metallica agreed to sell 100% of the SCONI Project tenements to Australian Mines.

The Metallica Options are not listed on the ASX or on any stock exchange or quotation system. Holders of Metallica Options do not have any right, by virtue of the option, to vote, to participate in dividends or to the proceeds on winding up of Metallica.

During the financial year ended June 30, 2018, no Metallica Options were issued. During the financial year ended June 30, 2018, no fully paid Metallica Shares were issued as a result of the exercise of Metallica Options and no Metallica Shares have been issued since the end of the financial year ended June 30, 2018 as a result of the exercise of Metallica Options.

The terms of the Metallica Options shall only be changed if holders (whose votes are not to be disregarded) of Metallica Options approve of such a change. However, unless all necessary waivers of the ASX Listing Rules are obtained, the terms of the Metallica Options shall not be changed to reduce the exercise price, increase the number of Metallica Options or change any period for exercise of the Metallica Options.

Metallica Rights

As at October 19, 2018, there was an aggregate of 7,000,000 Metallica Rights outstanding, as set out below:

Grant Date	No. of Metallica Rights Granted ³	Vesting Date and Exercisable Date	Expiry Date	Exercise Price	Description ⁴
July 2, 2017	2,000,000 ¹	Vesting - March 31, 2019. Exercisable on occurrence of the event in the	November 9, 2019	Nil	Commencement of production from the Urquhart Bauxite Project.

Grant Date	No. of Metallica Rights Granted ³	Vesting Date and Exercisable Date	Expiry Date	Exercise Price	Description ⁴
		"Description" column.			
July 2, 2017	1,000,000 ¹	July 2, 2019	November 9, 2019	Nil	Fourth anniversary of Mr. Slesarewich's commencement date.
July 2, 2017	2,000,000 ¹	Vesting - June 30, 2019. Exercisable on occurrence of the event in "Description" column.	November 9, 2019	Nil	Upon acquisition of a controlling interest in the Wagina Project.
November 9, 2017	2,000,000 ²	Vesting - March 31, 2019. Exercisable on occurrence of the event in "Description" column.	November 9, 2019	Nil	Commencement of commercial production from the Urquhart Bauxite Project.

Notes:

1. Represents Metallica Rights granted to Mr. Slesarewich.
2. Represents 1,000,000 Metallica Rights granted to each of Mr. Haley and Mr. Broadhead.
3. Mr. Slesarewich is also entitled to receive 1,000,000 Metallica Rights for 2018 subject to Metallica Board approval, which has not yet occurred as of the date of this Circular.
4. If the event set out in this column does not occur, the corresponding Metallica Rights do not vest and are not exercisable.

For additional information, see "*Long-Term Incentive Plans*" of this Appendix "F".

OPTIONS TO PURCHASE SECURITIES

Metallica Options

As at October 19, 2018, there were a total of 1,000,000 Metallica Options issued and outstanding.

For more information, see "*Description of Capital Structure – Metallica Options*" of this Appendix "F".

Metallica Rights

As at October 19, 2018, there was an aggregate of 7,000,000 Metallica Rights outstanding. For more information, see "*Description of Capital Structure – Metallica Rights*" and "*Long-Term Incentive Plans*" of this Appendix "F".

The following table sets forth the aggregate number of Metallica Shares issuable under Metallica Options and Metallica Rights as at the date of this Circular:

Holder of Metallica Options and Metallica Rights	Metallica Shares Under Metallica Options / Metallica Rights Granted	Exercise Price (AUS\$/Metallica Share)	Grant Date	Expiry Date
Executive officers and former executive officers of Metallica as a group	1,000,000 Metallica Rights	Nil	November 9, 2017	November 9, 2019
	5,000,000 Metallica Rights	Nil	July 2, 2017	November 9, 2019
Executive officers and former executive officers of all subsidiaries of Metallica as a group, excluding those listed directly above	Nil	Nil	Nil	Nil
Directors and former directors of Metallica (who are not also officers) as a group	Nil	Nil	Nil	Nil
Directors and former directors of all subsidiaries of Metallica as a group, excluding those listed directly above	Nil	Nil	Nil	Nil
Other employees and former employees of Metallica as a group	Nil	Nil	Nil	Nil
Other employees and former employees of all subsidiaries of Metallica as a group	1,000,000 Metallica Rights	Nil	November 9, 2017	November 9, 2019
Consultants of Metallica as a group	Nil	Nil	Nil	Nil
Any other person or company:				
• Straits Resources Ltd.	1,000,000 Metallica Options	0.7000	August 3, 2011	3 months after production commences at Lucknow or Kokomo
Total – All Metallica Options and Metallica Rights	8,000,000	-	-	-

For more information, see "Long-Term Incentive Plans" of this Appendix "F".

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Metallica as at June 30, 2018:

	As at June 30, 2018 (AUS\$'000)
Share capital	36,422
Accumulated losses	(34,722)
Reserves	8,325
Total Equity	10,025
Current liabilities	444
Non-current liabilities	-
Total Liabilities	444
Total Capitalization	10,469

For information regarding the consolidated capitalization of the Combined Company, both before and after giving *pro forma* effect to the Arrangement, see "Pro Forma Consolidated Capitalization" of Appendix "G" to this Circular.

PRIOR SALES**Metallica Shares**

The table below summarises the movement in issued capital for the financial years ended June 30, 2018 and June 30, 2017:

ISSUED CAPITAL Movements in contributed equity for the year	June 30, 2018			June 30, 2017		
	Number of Metallica Shares	Number of Metallica Options	AUS\$	Number of Metallica Shares	Number of Metallica Options	AUS\$
Balance at the beginning of the year	302,231,715	38,000,102	35,650,900	227,311,635	Nil	32,205,513
- Metallica Shares issued upon exercise of Metallica Options at AUS\$0.0422 on July 13, 2017	20,215,706	Nil	853,103	Nil	Nil	Nil
- Other movements (rounding difference)	(13)	-	-	-	-	-
Shares issued during the previous financial year:						
- Metallica Shares issued upon exercise of Metallica Options at AUS\$0.0450 from March 7 to June 14, 2017	Nil	Nil	Nil	9,719,998	Nil	438,651
- Metallica Shares issued upon exercise of Metallica Rights at nil on March 8, 2017	Nil	Nil	Nil	1,000,000	Nil	Nil
- Metallica Shares issued in connection with rights issue at AUS\$0.0520 from April 13, 2017 to April 20, 2017 with free attaching Metallica Options expiring September 30, 2018.	Nil	Nil	Nil	64,200,082	38,000,102	3,338,404
Less capital raising costs	Nil	Nil	(81,576)	Nil	Nil	(331,668)
Total contributed equity	322,447,408	38,000,102	36,422,427	302,231,715	38,000,102	35,650,900

At June 30, 2018, Metallica has issued and outstanding share capital amounting to 322,447,408 (2017: 302,231,715) fully paid Metallica Shares of no par value. At shareholders' meetings, each fully paid Metallica Share is entitled to 1 vote when a poll is called; otherwise each shareholder has 1 vote on a show of hands.

TRADING PRICE AND VOLUME

The Metallica Shares trade on the ASX under the symbol "MLM". See below for the reported high and low prices (including intra-day prices) and the total volume of trading of the Metallica Shares on the ASX, in Australian dollars, on a monthly basis for the past 12 months:

	High AU\$	Low AU\$	Total Volume
October 2017.....	0.066	0.051	25,779,796
November 2017.....	0.056	0.045	23,407,971
December 2017	0.059	0.05	8,345,699
January 2018	0.063	0.045	16,602,662
February 2018	0.055	0.046	10,381,125
March 2018.....	0.054	0.041	9,069,817
April 2018.....	0.055	0.042	10,834,863
May 2018	0.047	0.04	5,174,031
June 2018	0.049	0.032	10,769,315
July 2018.....	0.039	0.035	6,205,576
August 2018	0.038	0.033	4,954,621
September 2018	0.038	0.028	11,620,903
October 1-19, 2018	0.036	0.031	5,535,346

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

At October 19, 2018, Metallica does not have any securities in escrow or that are subject to a contractual restriction on transfer.

PRINCIPAL SECURITYHOLDERS

As at the date hereof, and to the knowledge of Metallica's directors and officers, no person or corporation beneficially owns, directly or indirectly, or exercises control or direction over, Metallica Shares carrying more than 10% of the voting rights attached to the Metallica Shares except as set out below:

Name	Type of Ownership	Number of Metallica Shares	Percentage of Metallica Shares owned before Plan of Arrangement ⁽¹⁾	Percentage of Metallica Shares owned after Plan of Arrangement ⁽²⁾
Jien Mining Pty Ltd	Direct	40,099,678	12.39% ⁽³⁾	3.86% ⁽⁴⁾

Notes:

1. Based on there being 322,447,408 Metallica Shares issued as at the date hereof.
2. Based on there being 902,046,668 Metallica Shares issued after giving effect to the Plan of Arrangement. These calculations take into account the 322,447,408 issued and outstanding Metallica Shares as at the date hereof and the 579,599,260 Metallica Shares issuable as Share Consideration pursuant to the Plan of Arrangement. The Metallica Rights are not included in this calculation. Assumes no exercise of Dissent Rights.
3. Before giving effect to the Plan of Arrangement and on a fully diluted basis, assuming the exercise of all issued and outstanding Metallica Options in exchange for Metallica Shares.
4. After giving effect to the Plan of Arrangement and on a fully diluted basis, assuming: (i) exercise of all issued and outstanding Metallica Options in exchange for 1,000,000 Metallica Shares; (ii) exercise of all issued and outstanding Metallica Replacement Options in exchange for 37,333,320 Metallica Shares; and (iii) the exercise of all Metallica Replacement Warrants in exchange for 97,495,000 Metallica Shares.

DIRECTORS AND EXECUTIVE OFFICERS

Name, Address, Occupation and Security Holdings

The following table sets out the Metallica directors and officers, together with the city and country of residence, positions and offices held, principal occupations during the last 5 years, the years in which they were first appointed as directors and/or officers of Metallica and the number of Metallica Shares owned, directly or indirectly, legally or beneficially, or over which control or discretion is exercised by them, as of the Record Date.

Name and Place of Residence	Position held at Metallica	Principal Occupation ⁽¹⁾	Director/Officer since	Term expiring	Number of Metallica Shares Held ⁽²⁾ (Percentage Held)
Peter Turnbull Queensland, Australia	Non-Executive Chairman	Non-Executive Director, Karoon Gas Australia Limited since June 6, 2014; Chair, Calix Limited since June 2009; Chair, Auxita Pty. Ltd since April 2011; and Non-Executive Director, Governance Institute of Australia since January 2006.	December 12, 2016	N/A	390,000 (0.12%)

Name and Place of Residence	Position held at Metallica	Principal Occupation ⁽¹⁾	Director/Officer since	Term expiring	Number of Metallica Shares Held ⁽²⁾ (Percentage Held)
Simon Slesarewich Queensland, Australia	Managing Director	Director of the Queensland Resources Council since November 2016; Member of Queensland Exploration Council since May 23, 2017; and Chief Executive Officer, Metallica from July 13, 2015 to April 17, 2018.	April 17, 2018 (Managing Director)	N/A	1,833,334 (0.568%)
Steven Boulton Queensland, Australia	Non-Executive Director	Chairman, Newcastle Agri Terminals since 1 September 2017; Director, Nova Group since 1 July 2013; and Non-Executive Director of Atrium Coal NL from August 22, 2014 to November 24, 2016.	January 25, 2017	November 19, 2018 ³	1,350,000 (0.418%)
Ian Jacobson Queensland, Australia	Non-Executive Director	Co-founder and Executive Chairman, SCCR Group since 2013.	July 1, 2018	November 19, 2018 ⁴	Nil (0.00%)
John Haley Queensland, Australia	Chief Financial Officer & Company Secretary	CFO/Company Secretary.	October 23, 2003	N/A	125,000 (0.038%)

Notes:

1. The information as to principal occupation has been furnished by each director and/or officer individually.
2. Includes direct and indirect interests of the directors and their related entities.
3. Mr. Steven Boulton is nominated for re-election at the Metallica AGM to be held on November 19, 2018.
4. Mr. Ian Jacobson is nominated for re-election at the Metallica AGM to be held on November 19, 2018.

See "Audit Committee" and "Corporate Governance – Board Committees" of this Appendix "F".

Biographies

The following biographical information relates to each of the directors and officers of Metallica and includes a description of each individual's principal occupation within the past 5 years.

Peter Turnbull, Non-Executive Chairman, has significant experience as an independent non-executive director and chairman across a range of sectors including over a decade in the resources, energy and technology commercialisation sectors. Mr. Turnbull has over 30 years of prior senior executive experience gained in publicly listed, private and government owned organisations operating in Australia, South East Asia, Europe and the Americas. This experience includes senior executive positions with ASX Top 50 companies such as Newcrest Mining Limited, BTR Nylex Limited and Energex Limited, a major government owned energy company. Mr. Turnbull also has significant regulatory, government and public policy experience including as a former director of corporate finance for the Securities and Futures Commission of Hong Kong. Mr. Turnbull is a non-executive director, Life Member and former President, of the Governance Institute of Australia and is an active contributor, writer and speaker on governance related issues within Australian and international governance circles. Mr. Turnbull's practical governance experience includes the design and management of corporate governance, risk management and remuneration regimes. Mr. Turnbull has been a Non-Executive Director of Karoon Gas Australia

Limited June 6, 2014 and Chairman of Calix Limited since February 12, 2009. Mr. Turnbull has a Bachelor of Law and Commerce from the University of Melbourne.

Simon Slesarewich, Managing Director, is a Mining Engineer and registered Senior Site Executive in Queensland, with over 20 years' experience across a range of jurisdictions, including a strong background in operational and executive roles within both mining and contracting entities. Mr. Slesarewich has broad operational experience which ranges up to general manager for underground base metal and gold mines, as well as general manager responsible for the development of Middlemount Coal, an open cut coking coal project located in central Queensland. Mr. Slesarewich held executive roles gaining experience in business development and contract negotiation before joining Boardwalk Resources where as CEO he was instrumental in the company's sale to Whitehaven Coal for AUS\$300,000,000. Mr. Slesarewich is the former CEO of Northern Discovery Limited and Executive Director of Larkham Resources and is currently a Director of the Queensland Resources Council and a member of Queensland Exploration Council (QEC). Mr. Slesarewich holds a Bachelors of Engineering (Mining) from the University of Queensland and Graduate Diplomas in Administration, as well as Applied Finance and Investment.

Steven Boulton, Non-Executive Director, has a 40-year career which has covered complex fund and asset investment management organisations and utility and infrastructure enterprises, including Director level experience in the mining and minerals sector. Mr Boulton's CEO experience includes entities listed on the ASX and NZX, and private and government-owned corporations. This has included CEO positions with Hastings Funds Management, CP2 Funds Management, Prime/BBI, Powerco in New Zealand and Allgas. Executive Chairman experience includes the Dalrymple Bay Coal Terminal, PD Ports in the UK and WestNet Rail. Executive and/or non-executive Director experience includes Infrastructure Partnerships Australia, Port of Brisbane. Australian Infrastructure Fund, Australian Pacific Airports Corporation and various infrastructure sector national associations. Mr. Boulton was a Non-Executive Director of Atrium Coal NL from August 22, 2014 to November 24, 2016. Mr. Boulton is currently Chairman of National Agri Terminals, a logistics entity based in Newcastle and a Director of Nova Group, a global defence and engineering services firm which has offices throughout Australia and overseas.

Ian Jacobson, Non-Executive Director, has more than 40 years' experience in the resources industry. He has held senior executive roles in operations and project development with Rio Tinto/Comalco, Alcoa of Australia and BHP Billiton. Mr. Jacobson is co-founder and Executive Chairman of SCCR Group, which provides a range of consulting services to the primary aluminium industry in project development, plant management, technical and operational support and governance across the bauxite mining, alumina refining and aluminium smelting sectors. Mr. Jacobson graduated in Mechanical Engineering from Caulfield Institute of Technology in 1975.

John Haley, CFO and Company Secretary, is a Chartered Accountant with over 35 years' experience in accounting, finance and senior corporate experience in Australia and Canada. Mr. Haley has a strong accounting background that has seen him hold a number of senior positions spanning a range of industries including mineral exploration. Mr. Haley has assisted in the start-up of various mineral exploration companies and is a former Director of the Queensland Resources Council. Mr. Haley has served in the CFO and Company Secretary roles for a number of ASX listed and non-listed entities.

Share Ownership

As at the date hereof, all of the directors and officers, as a group, beneficially own, directly or indirectly, or exercise control or discretion over 3,698,334 Metallica Shares, representing approximately 1.15% of the issued and outstanding Metallica Shares.

Terms of Directors

Director of Metallica have a fixed term of office of 3 years. Pursuant to Metallica's constituting documents, each director of Metallica, other than the Managing Director, must retire from office at the end of the third AGM following such director's previous appointment/re-appointment (as applicable) or 3 years, whichever is longer. Any director appointed by the Metallica Board to fill a casual vacancy during the year will hold office until the conclusion of the next AGM of Metallica but is eligible for election at such meeting.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of Metallica, as at the Record Date, no director or executive officer of Metallica has, within the 10 years prior to the date of this document, been a director, CEO or CFO of any issuer (including Metallica) that: (i) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days while the person was acting in the capacity as director, CEO or CFO; or (ii) was subject to an order that, after the director or executive officer ceased to be a director, CEO or CFO of an issuer, resulted in the issuer being the subject of a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days and which resulted from an event that occurred while that person was acting as a director, CEO or CFO of the issuer.

No current or proposed director or officer or securityholder holding a sufficient number of securities of Metallica to affect materially the control of Metallica has, within the last ten years prior to the date of this document, been a director or executive officer of any company (including Metallica) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement for compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No current director or officer or securityholder holding a sufficient number of securities of Metallica to affect materially the control of Metallica has, within the last 10 years prior to the date of this document, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or securityholder.

No current or proposed director or officer or securityholder holding a sufficient number of securities of Metallica to affect materially the control of Metallica has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain of the directors and officers of Metallica will not be devoting all of their time to the affairs of Metallica. Certain of the directors and officers of Metallica are directors and officers of other companies, some of which are in the same business as Metallica. See "*Risk Factors*" and "*Corporate Governance*" of this Appendix "F".

The directors and officers of Metallica are required by law to act in the best interests of Metallica. They have the same obligations to the other companies in respect of which they act as directors and officers. Any decision made by any of such officers or directors involving Metallica will be made in accordance with their duties and obligations under the applicable laws of Australia. As of the date hereof, Metallica was not aware of any existing or potential material conflicts of interest between Metallica and a subsidiary of Metallica, a director or officer of Metallica or of a subsidiary of Metallica.

Management of Junior Issuers

The following table sets out details of Metallica's members of management, together with their age, position and responsibilities within Metallica, employment status, principal occupations during the last 5 years, experience in the industry and whether a non-disclosure or non-competition agreement has been entered into with Metallica, as of the date hereof.

Name, Age and Position	Relevant Educational Background	Full-time/Part-time Employee or Contractor	Principal Occupations During Past 5 Years	Experience in the Industry	Non-Competition or Non-Disclosure Agreement
Simon Slesarewich Managing Director Age: 43	Bachelor of Engineering (Mining) University of Queensland 1996, Graduate Diploma (Applied Finance and Investment) Australian Securities Institute 2002, Graduate Diploma (Business Administration) Mt Eliza Business School 2003	Full time	CEO/MD of Metallica Minerals, Consultant, Executive Director Larkham Resources	22 years	N/A
John Haley CFO and Company Secretary Age: 56	Bachelor of Commerce University of Queensland 1980 MBA University of Queensland 1992	Part-time	CFO/Company Secretary	20 years	N/A

EXECUTIVE COMPENSATION

The following discussion describes the significant elements of Metallica's executive compensation, with particular emphasis on the process for determining compensation payable to Metallica's "Named Executive Officers" or "NEOs" for the year ended June 30, 2018, which means each of the following individuals: (i) each individual who, in respect of Metallica, during any part of year ended June 30, 2018, served as the CEO, including an individual performing functions similar to a CEO; (ii) each individual who, in respect of Metallica, during any part of the year ended June 30, 2018, served as the CFO, including an individual performing functions similar to a CFO; (iii) in respect of Metallica, the three most highly compensated executive officer than the individuals identified in paragraphs (i) and (ii) at the end of the year ended June 30, 2018 whose total compensation was more than C\$150,000; and (iv) each individual who would be an NEO under (iii) but for the fact that the individual was neither an executive officer of Metallica, nor acting in a similar capacity, at the end of that financial year. For the purposes of this section, the only NEOs of Metallica are Mr. Simon Slesarewich, Managing Director and Mr. John Haley, CFO and Company Secretary.

Compensation Objectives

Details regarding Metallica's compensation objectives and principles are set out below:

Principles used to Determine the Nature and Amount of Remuneration

The objective of Metallica's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for delivery of reward. The Metallica Board ensure that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders; and
- transparency.

The remuneration structure for key management personnel, excluding non-executive directors, is set by the Metallica Board and is based on a number of factors including, market remuneration for comparable companies, particular experience of the individual concerned and overall performance of Metallica.

Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Metallica Board.

The remuneration framework is aligned to shareholders' interests through:

- a focus on sustained growth in share price and key non-financial drivers of value; and
- attracting and retaining high caliber executives.

The remuneration framework is aligned to employees' interests through:

- rewarding capability and experience;
- reflecting competitive rates of remuneration in respect of skills and responsibility;
- providing a clear structure for earning rewards; and
- providing recognition for achievements.

In accordance with best practice corporate governance, Metallica's structure of non-executive directors and executive remuneration is separate.

Executive Director Remuneration

Metallica aims to reward executives with a level and mix of remuneration, both fixed and variable, based on their position and level of achievement.

The executive remuneration and reward framework has 4 components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed Remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Metallica Board, based on individual and business unit performance, the overall performance of Metallica and comparable market remunerations.

Base salary is the fixed component of total direct compensation for the NEOs, and is intended to attract and retain executives, providing a competitive amount of income certainty. The actual base salaries of the NEOs reflect numerous factors relevant to the discharge of their duties, including the complexity of their respective roles, the amount of applicable industry experience, the function their respective roles play in Metallica's corporate development and the need to attract and retain talented individuals. Base salaries are reviewed and set with reference to market data and will reflect the scope and role and the size and activities of Metallica as well as individual contribution and performance.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to Metallica and adds additional value to the executive.

There are no retirement schemes for Non-Executive Directors and Executive Directors, other than superannuation. Contributions payable for the year are charged to the statement of comprehensive income. Other than where noted below in "*Employment Agreements and Potential Payments and Change of Control Benefits upon Termination*", payments to NEOs are inclusive of retirement (superannuation) payments.

Metallica makes payments in accordance with applicable legislation (i.e., Australian legislation) and does not operate a defined contribution plan. However, Metallica makes superannuation payments. The effect of the payments made by Metallica pursuant to such legislation is similar to that of a defined contribution plan.

Short-Term Incentives

Managing Director

The Managing Director is the only Executive Director of Metallica. The Managing Director is eligible for short-term incentive ("**STI**") cash bonus payments based on the achievement of key performance indicators ("**KPIs**") as specified in the Managing Director's executive service agreement. The KPIs for bonus purposes are determined for each financial year of the term of the service agreement. The aim of the STI is to link the achievement of Metallica's annual and/or immediate financial and broader operational targets with the remuneration received by the Managing Director. The total potential STI is set at a level so as to provide sufficient incentive to achieve the operational targets and at a cost to Metallica that is reasonable in the circumstances. Actual STI payments awarded to the Managing Director depend on the extent to which specific targets prescribed in the performance agreement for a financial year are met and are limited to a maximum of 50% of the Managing Director's annual salary base. A cash bonus of AUS\$74,750 (28.75% of base salary) was paid in the year ended June 30, 2018 in relation to the achievement of the performance targets for the financial year ended June 30, 2017 and AUS\$56,000 (22% of base salary) was accrued at June 30, 2018 in relation to the achievement of KPIs for the financial year ended June 30, 2018. This accrued amount is payable subject to Metallica Board approval.

The targets for the financial year ended June 30, 2018 consisted of the following KPIs covering financial and non-financial measures of performance:

Criterion	Weighting in Maximum Payment	KPIs (to be discharged on or before June 30, 2018)
Safety	20%	50% - Zero lost time injuries. 50% - Implementation of an integrated safety and health management system.
Business growth	30%	Identify and negotiate an acquisition that meets Metallica's business strategy but not necessarily close the transaction; or Dispose of an asset within Metallica's portfolio that delivers on strategy and value to Metallica.
Budget	50%	Meet budget cash and cost position.

Senior Executives

STIs paid to senior executives of Metallica are made on a discretionary basis as determined by the Managing Director of Metallica. These incentives, while not guaranteed, are directly linked to the achievement of KPIs on similar principles to those for the Managing Director as well as various performance targets for each area of operational responsibility, including the preparation and delivery of reports on time and meeting industry targets and standards in relation to workplace health and safety. No bonus is awarded where performance falls below the minimum acceptable KPI levels as determined by the Metallica Board or the Managing Director of Metallica.

Long-Term Incentives

The long-term incentives ("**LTIs**") are delivered through the grant of Metallica Options and Metallica Rights to Executive Directors and selected senior executives from time to time as part of their remuneration. Metallica Rights have a nil exercise price and the performance hurdles applicable to any performance period (including how they will

be measured) is set out in the invitation to the eligible executives. Metallica Rights are granted pursuant to the Metallica Incentive Plan.

The long-term compensation plan of Metallica is comprised of the Metallica Incentive Plan, which is designed to align participants' interests with those of the shareholders of Metallica. The establishment of a balance between short and long-term compensation is essential for Metallica's sustained performance, including its ability to attract, motivate and retain a pool of talented executives in a very competitive employment market as well as to ensure a proper alignment of the NEOs' interests with those of shareholders. The Metallica Board will not award incentives under long-term incentive plans using a prescribed formula or target. Instead, the Metallica Board will take into account the individual's position, scope of responsibility, ability to affect profits, historic and recent performance and the value of the awards in relation to other elements of the NEOs' total compensation.

See "*Long-Term Incentive Plan*" of this Appendix "F".

Performance of Metallica and Link to Remuneration

Given that Metallica is in exploration and development and not production, there is no direct relationship between Metallica's financial performance and the level of remuneration paid to key management personnel.

Share prices are subject to the influence of international metal prices and market sentiment towards the sector and increases and decreases may occur independently of executive performance or remuneration. Metallica may issue Metallica Options or Metallica Rights to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of key management personnel with those of Metallica's shareholders.

Non-Executive Director Remuneration

Remuneration of the Non-Executive Directors is approved by the Metallica Board and set in aggregate within the maximum amount approved by the shareholders from time-to-time. The fees have been determined by the Metallica Board having regard to industry practice and the need to obtain appropriately qualified independent persons.

The aggregate pool of remuneration paid to Non-Executive Directors was approved by shareholders on November 24, 2010 and is currently AUS\$300,000 per annum for Metallica. The amount paid to Non-Executive Directors of Metallica during the year ended June 30, 2018 was AUS\$146,241 (2017: AUS\$168,987).

Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case-by-case basis and is generally a mix of cash and non-cash benefits as determined by the Metallica Board. Except in so far as Metallica directors and other key management personnel hold Metallica Options or Metallica Rights, there is no relationship between remuneration policy and Metallica's performance.

Compensation Governance

Metallica does not have a formal remuneration policy and has not established a separate remuneration committee. The whole Metallica Board takes on the function of the remuneration committee with independent advice sought as required. Due to the early stage of development and small size of Metallica, a separate remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for directors and key executives. The Metallica Board considers that it is more appropriate to set aside time at a Metallica Board meeting each year to specifically address matters that would ordinarily fall to a remuneration committee such as reviewing remuneration, recruitment, retention and termination procedures and evaluating senior executives' remuneration packages and incentives.

See "*Corporate Governance – Compensation*" of this Appendix "F".

Summary Compensation Table

The following table sets out information concerning the compensation paid by Metallica to its NEOs for the financial years ended June 30, 2018, 2017 and 2016:

Name and principal position	Year ended June 30	Salary (AUS\$)	Share and Option-based awards (AUS\$)	Non-equity incentive plan compensation (AUS\$)		Pension value (AUS\$)	All other compensation ⁵ (AUS\$)	Total compensation (AUS\$)
				Annual incentive plans	Long-term incentive plans			
Simon Slesarewich Managing Director and Former CEO ¹	2018	255,100	199,079	130,750 ³	N/A	24,234	136,152	745,315
	2017	237,443	46,503	74,750 ⁴	N/A	22,557	9,247	390,500
	2016	205,968	89,032	N/A	N/A	21,467	9,003	345,470
John Haley CFO and Corporate Secretary ²	2018	109,840	16,275	N/A	N/A	10,435	8,634	145,184
	2017	88,382	Nil	N/A	N/A	31,618	16,623	136,623
	2016	88,512	Nil	N/A	N/A	31,488	2,938	122,938

Notes:

1. Mr. Slesarewich was appointed as CEO from July 13, 2015 to April 17, 2018 and was appointed as Managing Director on April 17, 2018.
2. Mr. Haley was appointed as CFO and Corporate Secretary on October 23, 2003.
3. Represents the short-term cash bonus Mr Slesarewich is entitled to for the June 30, 2018 financial year, comprised of AUSD\$74,750 paid and AUSD\$56,000 accrued in relation to the achievement of KPIs for the financial years ended June 30, 2017 and June 30, 2018 respectively. The accrued amount of AUSD\$56,000 with respect to the financial year ended June 30, 2018 has not been paid at the date of this report and is subject to Metallica Board approval.
4. Represents cash bonus paid to Mr. Slesarewich.
5. Represents movements in leave entitlements.

Outstanding Option-Based and Share-Based Awards

The following table sets out information concerning the incentive plan awards that have been granted by Metallica to its NEOs and that were outstanding as at June 30, 2018:

Option-based Awards					Share-based Awards ⁴		
Name	Number of securities underlying unexercised options (#)	Option exercise price (AUS\$)	Option expiration date	Value of unexercised in-the-money options (AUS\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (AUS\$)	Market or payout value of vested share-based awards not paid out or distributed (AUS\$)
Simon Slesarewich Managing Director and Former CEO ¹	N/A	Nil	N/A	Nil	6,000,000	199,079	Nil
John Haley CFO and Corporate Secretary ²	N/A	N/A	N/A	N/A	1,000,000	16,275	Nil

Notes:

1. Mr. Slesarewich was appointed as CEO from July 13, 2015 to April 17, 2018 and was appointed as Managing Director on April 17, 2018.
2. Mr. Haley was appointed as CFO and Corporate Secretary on October 23, 2003.

During the financial year ended June 30, 2018, none of the incentive plan awards and non-incentive plan awards granted to Metallica NEOs were vested or exercised, as applicable.

Employment Agreements and Potential Payments and Change of Control Benefits upon Termination

Each of the NEOs has entered into contracts for service with Metallica, providing for the payment of a fixed component and a variable component of compensation. Details of these agreements are as follows:

Simon Slesarewich, Chief Executive Officer until April 17, 2018 and Managing Director thereafter

Mr. Slesarewich's fixed remuneration is an annual base salary of AUS\$280,000 (inclusive of the minimum statutory superannuation contributions) and an annual cash bonus of up to 50% of Mr. Slesarewich's total financial remuneration. The cash bonus is dependent on the achievement of KPIs. Mr. Slesarewich is entitled to Metallica Rights under the Metallica Incentive Plan. The Metallica Board reviews long-term incentive arrangements at least once every 2 years.

The contract may be terminated by 18 weeks' notice from Mr. Slesarewich or Metallica. If the contract is terminated by Metallica, Mr. Slesarewich is entitled to payment of 6 months of annual base salary. The contract also provides for payment of 12 months of base salary and 100% of any short-term and long-term incentives if a change of control of Metallica occurs. The bonus payable to Mr. Slesarewich under the change of control provision in relation to the Plan of Arrangement has been waived by Metallica and Mr. Slesarewich. The contract is reviewed by the Metallica Board annually. Mr. Slesarewich has no entitlement to termination payments in the event his employment is terminated by Metallica for misconduct.

Metallica retains the right to terminate Mr. Slesarewich's contract immediately by making payment of an amount based on Mr. Slesarewich's years of service. Upon retirement or termination, Mr. Slesarewich will be paid employee benefits accrued to date of retirement or termination. No other termination benefits are payable under Mr. Slesarewich's service contract. Any options issued which are not exercised on or before the date of termination lapse 3 months after termination. Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment.

John Haley, Chief Financial Officer and Company Secretary

Mr. Haley's fixed remuneration is an annual base salary of AUS\$120,000 (inclusive of the superannuation guarantee levy). The contract gives the Metallica Board a right to terminate Mr. Haley's employment if there is a change of control. The contract provides for payment of 6 months of base salary if a change of control of Metallica occurs or Mr. Haley's employment is terminated. This change of control payment is not payable in connection with the Arrangement. The contract may be terminated by 1 months' notice from Mr. Haley or Metallica. The contract is reviewed annually by the Metallica Board. Mr. Haley has no entitlement to termination payments in the event his employment is terminated by Metallica for misconduct.

Metallica retains the right to terminate Mr. Haley's contract immediately by making payment of an amount based on Mr. Haley's years of service. Upon retirement or termination, Mr. Haley will be paid employee benefits accrued to date of retirement or termination. No other termination benefits are payable under Mr. Haley's service contract, except for Mr. Haley's entitlement to 6 months' salary if a change in control of Metallica occurs or his employment is terminated, provided the amount payable does not exceed any amount allowable under the applicable Australian legislation. This change of control payment is not payable in connection with the Arrangement. Any options issued which are not exercised on or before the date of termination lapse 3 months after termination. Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment.

Trading Policy

Metallica has a Trading Policy, pursuant to which Metallica's personnel who are discharging managerial responsibilities, including all Executive Directors and Non-Executive Directors, are prohibited from dealing in any securities during a specified period unless clearance to deal is obtained in accordance with the provisions of the Trading Policy.

The Trading Policy is intended to ensure that persons who are discharging managerial responsibilities do not abuse, and do not place themselves under suspicion of abusing, inside information that they may be thought to have, especially in periods leading up to an announcement of Metallica. The Trading Policy sets out the procedure for trading in securities of Metallica and aims to provide guidance on how and when trades in Metallica's securities may take place and when trading of Metallica's securities is strictly prohibited.

The Trading Policy and no other policy of Metallica specifically prohibits an NEO or director from being permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

DIRECTOR COMPENSATION

General

Metallica's director compensation program is designed to attract and retain qualified individuals to serve on the Metallica Board. Simon Slesarewich is the sole Executive Director of Metallica and Peter Turnbull, Steven Boulton and Ian Jacobson are Non-Executive Directors of Metallica. The amount of compensation received by each of the directors of Metallica is disclosed in the table below:

Summary Compensation Table

The following table discloses all compensation that was paid to non-NEO directors of Metallica for the financial years ended June 30, 2018, 2017 and 2016:

Name	Year ended June 30	Fees earned (AUS\$)	Share-based awards (AUS\$)	Option-based awards (AUS\$)	Non-equity incentive plan compensation (AUS\$)	Pension value (AUS\$)	All other compensation (AUS\$)	Total compensation (AUS\$)
Peter Turnbull Non-Executive Director ¹	2018	71,667	-	-	-	6,808 (superannuation)	-	78,475
	2017	39,038	-	-	-	3,709 (superannuation)	-	42,747
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Steven Boulton Non-Executive Director ²	2018	39,574	-	-	-	3,760 (superannuation)	-	43,334
	2017	16,719	-	-	-	1,588 (superannuation)	-	18,307
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ian Jacobson Non-Executive Director ³	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Shu Zhang Non-Executive Director ⁴	2018	35,000	-	-	-	-	-	35,000
	2017	45,500	-	-	-	-	-	45,500
	2016	38,500	N/A	N/A	N/A	N/A	N/A	38,500
Wang Ruobing Non-Executive Director ⁵	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

1. Mr. Turnbull was appointed as Non-Executive Director of Metallica on December 12, 2016.
2. Mr. Boulton was appointed as Non-Executive Director of Metallica on January 25, 2017.
3. Mr. Jacobson was appointed as Non-Executive Director of Metallica on July 1, 2018.
4. Mr. Zhang (alternate to Mr. Ruobing) was appointed as Alternate Non-Executive Director of Metallica on August 21, 2014 and resigned on May 1, 2018.
5. Mr. Ruobing was appointed as Non-Executive Director of Metallica on March 6, 2017 and resigned on May 1, 2018.

Outstanding Option-Based and Share-Based Awards

During the financial year ended June 30, 2018, none of the non-NEO directors of Metallica held any incentive plan awards and no incentive plan awards were issued, vested or exercised, as applicable.

LONG-TERM INCENTIVE PLAN

The long-term compensation plan of Metallica is comprised of the Metallica Incentive Plan for employees, officers and directors, which is designed to align the interest of participants in the Metallica Incentive Plan (the "**Participants**") with those of the shareholders of Metallica and to assist Metallica in attracting, motivating and retaining key employees. In particular, the Metallica Incentive Plan provides Participants with an incentive for future performance, thereby encouraging those Participants to remain with Metallica and contribute to the future performance of Metallica.

Under the Metallica Incentive Plan, eligible Participants may be granted share rights for nil consideration (unless otherwise provided under the relevant offer), which vest if certain vesting conditions are met. Upon vesting, subject to any exercise conditions, each Metallica Right entitles the participant to 1 Metallica Share.

The Metallica Board has the power and discretionary authority to determine the terms and conditions of any grants under the Metallica Incentive Plan, including the individuals who will receive the grants, the term, the exercise price, the number of Metallica Shares subject to each grant, the limitations or restrictions on vesting and exercisability of grants, acceleration of vesting or the waiver of forfeiture or other restrictions on awards, the form of consideration payable on exercise, whether grants will entitle the participant to receive dividend equivalents and the timing of the grants. The Metallica Board will also have the power to establish award exercise procedures and procedures for payment of withholding tax obligations with cash.

Metallica Incentive Plan

The following is a summary of the principal terms of the Metallica Incentive Plan. See "*Executive Compensation – Compensation Objectives – Long-Term Incentive Compensation*" of this Appendix "F".

Purpose of the Metallica Incentive Plan

The Metallica Incentive Plan is designed to create a stronger link between increasing shareholder value and the incentive based compensation payable to directors and senior executives. The principal purposes of the Metallica Incentive Plan are as follows:

- to assist in the reward, retention and motivation of the Participants;
- to align the interests of participants with the interest of Metallica's shareholders;
- to promote the long-term success of the company and provide greater incentive for participants to focus on the company's longer term goals;
- to link the reward of Participants to the performance of the company and the creation of shareholder value; and
- to provide Participants with the opportunity to share in any future growth in value of Metallica.

Eligibility

The Metallica Incentive Plan is open to eligible persons, namely Non-Executive Directors, Executive Directors of Metallica, full-time and part-time employees, casual employees, contractors, consultants and a prospective

participant, being a person to whom the offer is made but who can only accept the offer if an arrangement has been entered into that will result in the person becoming an eligible person under the aforementioned categories (the "**Eligible Participants**").

Participation

Each Eligible Participant who acquires a legal or beneficial interest in Metallica Rights allocated under a plan (including the legal personal representative of the person) becomes an 'Eligible Participant' in respect of the Metallica Incentive Plan.

Invitation

Upon receipt of an offer by the Metallica Board to acquire a Metallica Right and become an Eligible Participant under the Metallica Incentive Plan will be by notice in writing from the Metallica Board. The Metallica Board may grant Metallica Rights to Eligible Participants with effect from the date determined by the Metallica Board, upon the terms set out in the Metallica Incentive Plan and upon such additional terms and performance hurdles as the Metallica Board determines. The invitation will specify the terms attaching to the offer, including each of the following (as applicable):

- the maximum number of Metallica Rights that the Eligible Participant may apply for, or the formula for determining the number of Metallica Rights that may be applied for;
- the maximum number of Metallica Shares that the Participant is entitled to be issued on exercise of each Metallica Right or the formula for determining the maximum number of Metallica Shares;
- any applicable performance hurdles;
- the date on which unvested Metallica Rights will expire;
- the date by which an offer for Metallica Rights must be accepted; and
- any other information required by law or the ASX Listing Rules or considered by the Metallica Board to be relevant to the Metallica Rights or the Metallica Shares to be issued on exercise of the Metallica Rights.

Acceptance of an invitation must be made in accordance with the instructions that accompany the invitation, or in any other way the Metallica Board determines.

Upon receipt of an offer, an Eligible Participant may, by notice in writing to the Metallica Board, nominate a nominee in whose favour the Eligible Participant wishes to renounce the offer. The Metallica Board may, in its discretion, resolve not to allow a renunciation of an offer in favour of a nominee of the Eligible Participant without giving any reason for such decision.

Term and Vesting

Unless otherwise provided by the relevant offer, Metallica Rights granted under the Metallica Incentive Plan will be issued for nil consideration.

Generally, a Metallica Right granted under the Metallica Incentive Plan will not vest and be exercisable unless the performance hurdles (if any) have been satisfied and the Metallica Board has notified the Participant of that fact. However, the Metallica Board may in its absolute discretion, by written notice to a Participant, resolve to:

- waive any performance hurdles (if any) attaching to a Metallica Right (in which case, the Metallica Right will become a vested Metallica Right); or
- determine that all, or a portion, of a Participant's Metallica Rights will vest,

due to:

- a change of control event occurring; or
- Metallica passing a resolution for voluntary winding up, or an order is made for the compulsory winding-up of Metallica.

The Metallica Board has not elected to exercise the above discretion to vest and make exercisable any of the outstanding Metallica Rights as a result of the change of control event that will occur if the Arrangement is completed.

Subject to the Corporations Act (Australia) and the ASX Listing Rules, the Metallica Incentive Plan and any applicable offer, Metallica will issue to the Participant the number of Metallica Shares the Participant is entitled to be issued in respect of each vested Metallica Right that is exercised. In the event that the issue of Metallica Shares on exercise of a Metallica Right would otherwise fall within a closed period, or breach the insider trading or takeover provisions of the Corporations Act (Australia), Metallica may delay the issue of the Metallica Shares until 10 business days following the expiration of the closed period or the day on which the insider trading or takeover provisions no longer prevent the issue of the Metallica Shares (as the case may be).

Rights of Participants

If Metallica Rights have been granted, upon vesting, Participants will receive either a beneficial entitlement to Metallica Shares (subject to disposal restrictions) or a legal and beneficial entitlement to Metallica Shares (which are no longer held under the Metallica Incentive Plan). Metallica Shares granted pursuant to the vesting of Metallica Rights will rank equally with Metallica Shares in respect of dividends and voting entitlements.

In respect of a Metallica Right, a Participant may not participate in:

- new issues of Metallica Shares to shareholders;
- bonus issues of Metallica Shares or other securities to shareholders; or
- any pro rata issue of Metallica Shares or other securities pro rata to shareholders,
- unless a Metallica Right is converted into Metallica Shares, before the record date established in connection with any of the above events.

Metallica will apply for quotation on the official list of the ASX of the Metallica Shares issued upon grant of a Metallica Right that vests under the Metallica Incentive Plan. Metallica will not seek official quotation by the ASX of any Metallica Rights.

Insider Participation Limit

The Metallica Incentive Plan contains an overriding restriction on the offer, grant or exercise Metallica Rights and the issue of Metallica Shares if to do so:

- would contravene Metallica's Trading Policy (including insider trading laws and restrictions) in relation to the sale of any Metallica Shares acquired on vesting and/or exercise of a Metallica Right;

- would contravene the Corporations Act (Australia), the ASX Listing Rules or any other applicable law; or
- would contravene the local laws or customs of the country of residence an Eligible Participant or relevant person (as the case may be) or in the opinion of the Metallica Board would require actions to comply with those local laws or customs which are impracticable.

Cessation

A Metallica Right lapses, to the extent it has not been exercised, on the earlier to occur of:

- where the performance hurdles (if any) applicable to that Metallica Right have not been satisfied on the relevant test date, the date the Metallica Board makes a determination that the Metallica Right will lapse;
- an unauthorised dealing in, or hedging of, the Metallica Right occurring;
- in respect of unvested Metallica Rights with performance hurdles, a relevant person ceases to be an Eligible Participant, unless the Metallica Board:
 - exercises its discretion to vest the Metallica Right in accordance with the Metallica Board's absolute discretion to waive any performance hurdles or determine that all or a portion of the Metallica rights will vest; or
 - in its absolute discretion, resolves to allow the unvested Metallica Rights with performance hurdles to remain unvested after the relevant person ceases to be an Eligible Participant;
- in respect of unvested Metallica Rights with performance hurdles, a relevant person ceases to be an Eligible Participant and the Metallica Right granted in respect of that relevant person is not exercised within 3 months (or such later date as the Metallica Board determines and as may be extended pursuant to the Metallica Incentive Plan) of the date the relevant person ceases to be an Eligible Participant;
- the Metallica Board deems that a Metallica Right with performance hurdles lapses due to fraud, dishonesty or other improper behaviour of the holder thereof;
- Metallica undergoes a change of control event or a winding up resolution or order is made and the Metallica Board does not exercise its discretion to vest the Metallica Right with performance hurdles in accordance with the Metallica Incentive Plan within 3 months of the relevant aforementioned event. The Metallica Board has not elected to exercise the above discretion to vest and make exercisable any of the outstanding Metallica Rights as a result of the change of control event that will occur if the Arrangement is completed; and
- the expiry date of the Metallica Right.

Assignability and Transferability

Unless the Metallica Board determines otherwise, Metallica Rights issued under the Metallica Incentive Plan are not transferable or assignable.

Administration

The Metallica Incentive Plan will be administered by the Metallica Board, who

- has the power to:
 - delegate the exercise of its power or discretions arising under the Metallica Incentive Plan to any one or more persons (including, but not restricted to, a committee or sub-committee of the Metallica Board) for such period and on such conditions as the Metallica Board may determine;
 - appoint or engage specialist service providers for the operation and administration of the Metallica Incentive Plan;
- except as otherwise expressly provided in the Metallica Incentive Plan, have absolute and unfettered discretion:
 - in the exercise of any of its powers or discretions pursuant to the Metallica Incentive Plan or any Metallica Rights under the Metallica Incentive Plan; and
 - to act, or refrain from acting, under or in connection with the Metallica Incentive Plan or any Metallica Rights under the Metallica Incentive Plan; and
- in the event of a dispute or disagreement as to the interpretation of the Metallica Incentive Plan, the Metallica Rights, the performance hurdles or any other matter relating to the Metallica Incentive Plan in any way whatsoever, to make the final binding decision in respect of such matter which will be final and binding upon all persons.

Termination and Amendment Provisions

The Metallica Incentive Plan may be terminated or suspended at any time by the Metallica Board but any such suspension or termination will not affect nor prejudice rights of any Participant holding Metallica Rights at that time. The Metallica Incentive Plan may be amended at any time by the Metallica Board.

Subject to certain restrictions therein, the terms and conditions of the Metallica Incentive Plan may be amended at any time and from time to time by the Metallica Board, in the Metallica Board's absolute unfettered discretion.

Financial Assistance

Subject to the Corporations Act (Australia), Metallica may (but is not obliged to) financially assist a person to acquire Metallica Rights under the Metallica Incentive Plan.

Change of Control Provisions

If there is a change of control event occurring, the Metallica Board may in its absolute discretion give written notice to Participants, resolve to:

- waive any performance hurdles (if any) attaching to a Metallica Right (in which case, the Metallica Right will become a vested Metallica Right); or
- determine that all, or a portion, of a Participant's Metallica Rights will vest.

The Metallica Board has not elected to exercise the above discretion to vest and make exercisable any of the outstanding Metallica Rights as a result of the change of control event that will occur if the Arrangement is completed.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As of the Record Date, except as disclosed under the heading "*Interests of Management and Others in Material Transactions*", below, and elsewhere in this Appendix "F", there exists no indebtedness outstanding with any current or former director, executive officer or employee of Metallica or its subsidiaries, or any associate or affiliate of such person, which is owing to Metallica or its subsidiaries, or which is owing to another entity, which indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Metallica or its subsidiaries, entered into in connection with a purchase of securities or otherwise.

CORPORATE GOVERNANCE

Metallica Board of Directors

The Metallica Board is composed of 4 directors, 3 of whom are independent directors under National Instrument 58-101 – "*Disclosure of Corporate Governance Practices*". Mr. Peter Turnbull, the Non-Executive Chairman of Metallica, Mr. Steven Boulton, Non-Executive Director of Metallica and Mr. Ian Jacobson, Non-Executive Director are all considered independent on the basis that they do not have any material relationships that could reasonably be expected to interfere with the exercise of their independent judgement. A majority of the directors of Metallica are independent.

Mr. Simon Slesarewich, Managing Director is a non-independent director, as he is a member of Metallica's management.

The independent directors do not hold regular scheduled meetings at which non-independent directors and members of management are not in attendance; however, they do meet informally to discuss matters such as executive remuneration.

Mr. Peter Turnbull is the independent Non-Executive Chairman of Metallica. As Non-Executive Chairman of Metallica, Mr. Turnbull's role and responsibilities include the following:

- leadership of the Metallica Board, efficient organization and conduct of the Metallica Board's function;
- briefing of all directors in relation to issues arising out of Metallica Board meetings;
- shareholder communication and arranging Metallica Board performance evaluation; and
- consider any real or apparent conflict of issue matters.

Generally, the powers and obligations of the Metallica Board are governed by the Corporations Act (Australia). The Metallica Board expressly considers itself responsible for, but not limited to, the following:

- ensuring compliance with the Corporations Act (Australia), ASX Listing Rules (where appropriate) and all relevant laws;
- Metallica's culture;
- developing, implementing and monitoring operational and financial targets for Metallica;
- appointment of appropriate staff, consultants and experts to assist in Metallica's operations specifically, including the selection and monitoring of a CEO or Managing Director;
- ensuring appropriate financial and risk management controls are implemented;
- approving and monitoring financial and other reporting;
- setting, monitoring and ensuring appropriate accountability for directors' and executive officers' remuneration;
- establishing and maintaining communications and relations between Metallica and third parties, including its shareholders and ASX by delegating such a role to the Managing Director/CEO or Corporate Secretary as relevant;
- implementing appropriate strategies to monitor performance of the Metallica Board in implementing its functions and powers;
- oversight of Metallica including its framework of control and accountability systems to enable risk to be assessed and managed;

- appointing and removing the CEO and/or Managing Director;
- appointing and removing the CFO and the Corporate Secretary;
- input into and final approval of the management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior management's performance, implementation of strategy and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approval of the annual budget;
- monitoring the financial performance of Metallica;
- liaising with Metallica's external auditors in conjunction with the audit committee (if any);
- monitoring, and ensuring compliance with, all of Metallica's legal obligations;
- approving and monitoring financial and other reporting; and
- appointing and overseeing relevant committees where appropriate to assist in the above functions and powers.

Metallica has adopted the corporate governance framework and practices set out in its 2018 Corporate Governance Statement, which is available on Metallica's website at www.metallicaminerals.com.au.

The Metallica Board has delegated responsibilities and authorities to the Managing Director and/or CEO to enable them to conduct Metallica's day-to-day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits or do not form part of the approved budget, require Metallica Board approval. An evaluation of the performance of senior management during the financial year, is undertaken at a Metallica Board meeting of Non-Executive Directors, with the Chairman then discussing this review separately with the senior management. This is considered to be an appropriate process as Metallica is in the exploration, evaluation and development stage; therefore it is not possible to evaluate performance against revenue or profit targets.

Attendance at Metallica Board Meetings

The following table sets out the attendance of each of the directors of Metallica at meetings of the Metallica Board for the financial year ended June 30, 2018.

Director	Number Eligible to Attend	Number Attended
Peter Turnbull ¹	14	14
Simon Slesarewich ²	2	2
Steven Boulton ³	13	13
Shu Zhang (alternate Wang Ruobing) ⁴	9	6
Wang Ruobing ⁵	9	Nil
Ian Jacobson ⁶	Nil	Nil

Notes:

1. Mr. Turnbull was appointed as Non-Executive Director of Metallica on December 12, 2016.
2. Mr. Slesarewich was appointed as Managing Director of Metallica on April 17, 2018.
3. Mr. Boulton was appointed as Non-Executive Director of Metallica on January 25, 2017.
4. Mr. Zhang (alternate to Mr. Ruobing) was appointed as Alternate Non-Executive Director of Metallica on August 21, 2014 and resigned on May 1, 2018.
5. Mr. Ruobing was appointed as Non-Executive Director of Metallica on March 6, 2017 and resigned on May 1, 2018.
6. Mr. Jacobson was appointed as Non-Executive Director of Metallica on July 1, 2018.

Metallica Board Charter

The charter of the Metallica Board is included in the Corporate Governance Charter, which is appended hereto as Exhibit 1 – "Corporate Governance Charter" to this Appendix "F".

Position Descriptions

Due to Metallica's size and nature of operations, the Metallica Board has not yet developed a written position description for the Chairman. There are also no written position descriptions for the Chair of any Metallica Board committees. The Metallica Board delineates the role and responsibilities of each such position through informal discussions with the Chairman and each member of the Metallica Board.

The Metallica Board has not developed a written position description for the Managing Director but has clearly outlined the roles and responsibilities of Mr. Slesarewich acting in this capacity through his services contract, through formal and informal discussions with the Chairman and the Metallica Board and through Metallica policies and procedures regarding work, health, safety, strategy and risk management.

Other Directorships

One director of Metallica, as of the date hereof, is also a director of other issuers that are "reporting issuers" in a stock exchange, as that term is defined in and for the purposes of securities legislation. These positions are summarized as follows:

Name of Director	Other Reporting Issuer	Position	Market
Peter Turnbull	Karoon Gas Australia Limited	Non-Executive Director	ASX
	Calix Limited	Chairman	ASX

Orientation and Continuing Education

All new directors are appointed through a written agreement with Metallica that sets out their duties, rights and responsibilities. In addition, the Metallica Board is responsible for ensuring that new directors are provided with a comprehensive induction programme that includes business briefings and site visits. The full Metallica Board conducted a site visit to the Urquhart Bauxite Project in which Metallica has a 50% interest, in September 2017.

The Metallica Board encourages directors to continue their education and maintain the skills required to discharge their duties by providing professional development opportunities. Metallica meets all reasonable costs of continuing director education.

With the prior approval of the Chairman, all directors of Metallica have the right to seek independent legal and other professional advice at Metallica's expense concerning any aspect of Metallica's operations or undertakings in order to fulfil their duties and responsibilities as directors. If the Chairman is unable or unwilling to give approval, Metallica Board approval will be sufficient.

Ethical Business Conduct

Metallica has adopted a Code of Conduct, which is included in Metallica's Corporate Governance Manual, which is available on Metallica's website at www.metallicaminerals.com.au. The Metallica Corporate Governance Manual is an ethical framework. It provides that executives, management and employees of Metallica are expected to act with integrity and to strive to enhance the reputation of Metallica. The Code of Conduct covers such matters as:

- responsibilities to shareholders;
- compliance with laws and regulations;
- relations with customers and suppliers;
- ethical responsibilities;
- employment practices, including equal opportunity;
- anti-bribery and corruption; and
- responsibility to the environment and the community.

In addition, Metallica has adopted an Anti-Bribery and Corruption Policy in June 2017, which is available on Metallica's website at www.metallicaminerals.com.au. The Anti-Bribery and Corruption Policy is intended to supplement the Code of Conduct and includes, but not limited to, the following policies:

- Bribery and corruption of any form are prohibited. Employees are not permitted to give, offer, promise, accept, request or authorise a bribe, whether directly or indirectly.
- Employees must declare and report gifts and or benefits either offered or accepted and valued over AUS\$200 or more.
- Donations to political parties is strictly prohibited.
- Charitable donations must be legal and ethical under local laws and practices.

The Metallica Board takes significant steps to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive office has a material interest.

In the event of a conflict of interest or where a potential conflict of interest may arise, involved directors will, unless the remaining directors resolve otherwise, withdraw from deliberations concerning the matter.

A director must at all times act in the interests of Metallica. Where the interests of associates, the personal interest of a director or a director's family may conflict with those of Metallica, then the director must immediately disclose such conflict and either:

- eliminate the conflict; or
- abstain from participation in any discussion or decision-making process in relation to the subject matter of the conflict.

Board Committees

The Metallica Board has no formal committees. After taking into account the absence of complexity in Metallica's activities and the size of the Metallica Board, the Metallica Board decided on June 30, 2015 that formally constituted committees of the Metallica Board are no longer appropriate. As outlined elsewhere in this Appendix "F", the whole Metallica Board takes on the function of the audit, nomination and remuneration and health, safety and environment committees with independent advice sought as required and carries out these functions unless and until Metallica Board committees are reinstated.

As Metallica is not included in the S&P All Ordinaries Index, it is not required under the ASX Listing Rules to have an audit committee.

The Metallica Board has decided that they are able:

- to oversee the corporate reporting process efficiently and effectively without an audit board;
- to deal efficiently and effectively with board composition and succession issues without establishing a separate nomination committee; and
- to deal efficiently and effectively with remuneration issues without establishing a separate remuneration committee.

Nomination of Directors

The Metallica Board has not established a nomination committee since, in the view of the Metallica Board, a company of this size and stage of development can best operate with the full Metallica Board undertaking the functions of a nomination committee undertaken by the full Metallica Board. The functions include Metallica Board renewal, succession planning, induction and evaluation.

When a vacancy on the Metallica Board arises, the Metallica Board assesses the range of skills, experience, expertise and diversity and other attributes from which the Metallica Board would benefit and the extent to which current directors possess such attributes, before putting forward potential candidates for the position. Candidates that are proposed are assessed through interviews, meetings and background and reference checks (which may be conducted both by external consultants and by directors) as appropriate.

While recognizing that each director will not necessarily have experience in each of the following areas, the Metallica Board believes that a highly credentialed Metallica Board, with a diversity of background, skills and perspectives, will be effective in supporting and enabling delivery of good governance for Metallica and value for Metallica's shareholders.

The mix of skills comprised in the current Metallica Board, and that the Metallica Board would look to maintain and to build on includes:

- mining and exploration industry expertise;
- metallurgy and metals knowledge;
- strategic management;
- leadership;
- high level of business acumen;
- legal expertise, diplomacy and operating in Australia;
- corporate finance including experience with mergers and acquisitions;
- corporate governance;
- risk assessment and investment decisions; and
- corporate governance, investor relations and communications.

Compensation

Metallica does not have a formal remuneration policy and has not established a separate remuneration committee. The whole Metallica Board takes on the function of the remuneration committee with independent advice sought as required. Due to the early stage of development and small size of Metallica a separate remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for directors and key executives. The Metallica Board considers that it is more appropriate to set aside time at a Metallica Board meeting each year to specifically address matters that would ordinarily fall to a remuneration committee such as reviewing remuneration, recruitment, retention and termination procedures and evaluating senior executives' remuneration packages and incentives.

In addition, all matters of remuneration will continue to be in accordance with the Corporations Act (Australia) requirement, especially with regard to related party transactions. That is, none of the directors participate in any deliberations regarding their own remuneration or related issues.

Independent external advice is sought from remuneration consultants when required, however no advice has been sought during the financial year ended June 30, 2018.

There have been no new actions, decisions or policies that were made after the end of the most recently completed financial year that could affect a reasonable person's understanding of an NEO's compensation for the financial year ended June 30, 2018.

The level of remuneration for non-executive directors is considered with regard to the practices of other public companies and the aggregate amount of fees paid to non-executive directors approved by shareholders. At this stage, the level of remuneration is based on market rates and is not directly linked to shareholders' share performance.

Assessment

Metallica has an informal process in place where directors can raise any issues regarding the performance of the Metallica Board and/or its directors and/or its committees directly for discussion and further action on an annual basis. This is an internal and informal process and does not generally involve external review of the Metallica Board or its performance.

Representation of Women in the Director Identification and Selection Process

The Metallica Board has not adopted a written policy regarding the representation, identification and nomination of women to the Metallica Board. However, Metallica is committed to equal opportunity and has a written employment equal opportunity policy, which is available on Metallica's website at www.metallicaminerals.com.au. Given the size and stage of development of Metallica, the Metallica Board has not set any targets with regards to the representation of women on the Metallica Board. At this time, there are no female Metallica Board members. The Metallica Board undertakes a thorough process for the identification and nomination of new directors to the Metallica Board. Director candidates are assessed on their individual qualifications, experience and expertise and the Metallica Board also considers matters related to skills, integrity, professionalism, values and independent judgement, prior to recommending a new Metallica Board member. The emphasis on filling Metallica Board vacancies is on finding the best qualified candidates that reflect Metallica's specific needs and that will add value to Metallica.

Based on Metallica's size and stage of development, the emphasis of filling executive officer positions is on finding the best qualified and experienced candidates that reflect Metallica's current needs.

The Metallica Board has not set any targets with regards to the representation of women on the Metallica Board and in executive officer positions. The Metallica Board considers numerous factors in identifying Metallica Board candidates and executive officers, including gender, education, industry experience, and independence. As of the date hereof, Metallica is in the exploration phase and has only 2 executive officers, none of whom are women. As Metallica grows and increases its personnel, the Metallica Board expects to assess its corporate governance policies to include diversity targets when considering Metallica Board and executive officer appointments.

AUDIT COMMITTEE

Audit Committee Function

Metallica does not have an internal audit function. The size of Metallica and the nature of its activities do not warrant an internal audit function. The Metallica Board considers it appropriate to engage external advisors (independent of the external auditor) as appropriate from time to time to undertake various tasks that an internal audit function would perform. No external advisors were engaged during the financial year ended June 30, 2018 to undertake internal audit activities. The Metallica Board has elected to retain responsibility for the functions that would have otherwise been delegated to a separate audit committee. Metallica does not have a written charter outlining the audit committee functions undertaken by the Metallica Board.

The Metallica Board is responsible for assessing any significant estimates or judgements in Metallica's financial reports, reviewing all half yearly and annual reports with management, advisers and the external auditors (as appropriate) and adopting same, overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring that there is a mechanism for assessing the ongoing efficiency of those systems, approving the terms of engagement with the external auditor at the beginning of each financial year, approving policies and procedures for appointing or removing an external auditor and for external audit engagement partner rotation.

The Managing Director and the CFO are primarily responsible for reporting to the Metallica Board on a regular basis in relation to whether Metallica's material business risks are being managed effectively by way of Metallica's risk management and internal control systems.

Prior to approving Metallica's financial statements for the 2018 reporting period, the Metallica Board received from the Managing Director and the CFO a written declaration under section 295A of the Corporations Act (Australia) that, in their opinion, the financial records of Metallica have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Metallica. The Managing Director and the CFO have each given a written assurance to the Metallica Board that the opinion forming the basis for the declaration was made by each of them and was formed on the basis of a sound system of risk management and internal control, which is operating effectively.

Metallica's external auditor will be represented at the annual general meetings of Metallica by a suitably qualified member of the audit team who is in a position to answer questions about the audit. Shareholders are entitled and encouraged to submit questions to the auditor that are relevant to the content of the auditor's report or the conduct of the audit.

The Chairman is required, and will, allow a reasonable opportunity for the shareholders as a whole at the annual general meeting of Metallica shareholders to ask the auditor's representative questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by Metallica in relation to the preparation of the financial statements, and the independence of the auditor in relation to the conduct of the audit. Shareholders of Metallica are encouraged to take advantage of this opportunity.

Relevant Education and Experience

The Metallica Board as part of its role will undertake the responsibilities of the audit committee and will carry out the functions thereof unless and until Metallica Board committees are reinstated.

Name	Relevant Education and Experience	Independent	Financially Literate
Peter Turnbull	Non-Executive Director, Karoon Gas Australia Limited since June 6, 2014; Chair, Calix Limited since June 2009; Chair, Auxita Pty. Ltd since April 2011; and Non-Executive Director, Governance Institute of Australia since January 2006. Bachelor of Law and Commerce (University of Melbourne).	Yes	Yes
Simon Slesarewich	Director of the Queensland Resources Council since November 2016; Member of Queensland Exploration Council since 23 May 2017; and Chief Executive Officer, Metallica from 13 July 2015 to April 17, 2018. Bachelor of Engineering (Mining) University of Queensland 1996, Graduate Diploma (Applied Finance and Investment) Australian Securities Institute 2002, Graduate Diploma (Business Administration). Mt Eliza Business School 2003.	No	Yes
Steven Boulton	Chairman, Newcastle Agri Terminals since 1 September 2017; Director, Nova Group since 1 July 2013; and Non-Executive Director of Atrium Coal NL from August 22, 2014 to November 24, 2016.	Yes	Yes
Ian Jacobson	Co-founder and Executive Chairman, SCCR Group since 2013. Mechanical Engineering from Caulfield Institute of Technology in 1975.	Yes	Yes

External Auditor Service Fees

The aggregate fees billed to Metallica by BDO Audit, Metallica's external auditor, for the years ended June 30, 2018 and 2017, are as follows:

Financial Year ended June 30,	Audit Fees ¹ (AUS\$)	Tax Fees (AUS\$)	All Other Fees (AUS\$)
2018	50,239	31,409	Nil
2017	50,716	22,250	Nil

Notes:

1. The aggregate fees billed by the auditor for audit fees.

RISK FACTORS

Risks Associated with Metallica

Metallica is in the business of exploring for bauxite, heavy mineral sands, silica, graphite and other minerals in Australia, which involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The risks described below are not the only ones facing Metallica. Additional risks not currently known to Metallica, or that Metallica currently deems immaterial, may also impair Metallica's operations. If any of the following risks actually occur, Metallica's business, financial condition and operating results could be adversely affected.

In evaluating Metallica and its business and whether to vote in favour of the Plan of Arrangement, Melior Shareholders should carefully consider, in addition to the other information contained in this Circular, the risk factors, below. The risk factors below may not be a definitive list of all risk factors associated with the Plan of Arrangement.

Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by Metallica in the exploration of properties will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks, which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required to locate and estimate mineral reserves, and further the development of a property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance Metallica has, or will have, commercially viable mineral bodies or deposits. There is no assurance that Metallica will be able to arrange sufficient financing to bring mineral bodies or deposits into production. The following are some of the risks to Metallica, recognizing that it may be exposed to other additional risks from time to time:

- Limited business history of Metallica, including lack of revenues and no assurance of profitability;
- Dependence on key management personnel;
- Reliance on availability and performance of independent contractors;
- Challenges by other unknown parties to property title;
- Environmental issues;
- Federal and state political risk; and
- Commodity price risk.

Metallica is diligent in minimizing exposure to business risk, but by the nature of its activities and size, will always have some risk. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements.

Risk Factors Affecting Financial Instruments

Metallica's principal financial instruments comprise receivables, payables, cash, liquid securities and short-term deposits.

The main risks arising from Metallica's financial instruments are interest rate risk, credit risk and liquidity risk. Metallica uses different methods to measure and manage different types of risks to which it is exposed. These included monitoring levels of exposure to interest rate and market forecasts for interest rate. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Metallica Board reviews and agrees on policies for managing each of these risks are summarised below.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to Metallica.

Credit risk arises from cash and cash equivalents and trade and other receivables. Metallica's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount net of any provisions for these assets as disclosed in the statement of financial position and notes to the financial statements.

Metallica has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. It is Metallica's policy that all parties who wish to trade on credit terms are subject to credit evaluations including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual party in accordance with parameters set by the Metallica Board. These risk limits are regulatory monitored. Metallica does not require collateral in respect of financial assets.

In addition, receivable balances are monitored on an ongoing basis with the result that Metallica's exposure to bad debts is not significant. At the reporting date there were no significant concentrations of credit risk.

Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the Metallica Board, which has built an appropriate liquidity risk management framework for the management of Metallica's short, medium and long-term funding and liquidity management. Metallica manages the liquidity risk by maintaining adequate cash reserves, and by continuously monitoring forecast and actual cash flows while matching the maturity profiles of financial assets and liabilities. There are no material financial assets or financial liabilities that were subjected to liquidity risk as at June 30, 2018 or June 30, 2017.

Interest Rate Risk

Metallica's current exposure to the risk of changes in market interest rates relate primarily to cash assets rates. Metallica does not account for fixed rate financial assets and liabilities at fair value through profit or loss. Metallica's main interest rate risk arises from cash and cash equivalents with variable interest rates.

Foreign Currency Risk

Metallica is not currently exposed to significant financial risks from movements in foreign exchange rates. There are no financial assets and no liabilities denominated in foreign currencies. Metallica does not participate in any type of hedging transactions or derivatives. Therefore, no sensitivity analysis is required.

Risk Factors Affecting the Mining Industry

Metal Price Volatility

As an exploration and development company, Metallica's ability to raise capital may be significantly affected by changes in the market price of bauxite and other minerals. Metallica's possible future revenues will be derived primarily from mining commodities and/or from revenue royalties gained from joint ventures or from mineral projects sold. Consequently, Metallica's potential future earnings could be closely related to the price of commodities it commercially exploits. Bauxite and other mineral prices fluctuate on a daily basis and are affected by numerous factors beyond the control of Metallica including demand, forward selling by producers, production cost levels in major producing regions and macroeconomic factors (e.g., inflation, interest rates, currency exchange rates) and global and regional demand for, and supply of, the relevant commodity.

If the market price of any commodity sold by Metallica were to fall below the costs of production and remain at such a level for any sustained period, the Company would experience losses and could have to curtail or suspend some or all of its proposed mining activities. In such circumstances, Metallica would also have to assess the economic impact of any sustained lower commodity prices on recoverability.

Equity securities price risk arises from investments in equity securities. In order to limit this risk Metallica diversifies its portfolio in accordance with limits set by the Metallica Board. The majority of the equity investments are of a high quality and are publicly traded on the ASX. The price risk for both listed and unlisted securities is immaterial in terms of a possible impact on profit and loss or total equity and as such a sensitivity analysis has not been completed.

Environmental and Other Regulations; Local Communities

Metallica's exploration and development activities are subject to extensive laws and regulations, which include laws and regulations governing, among other things: exploration; development; production; exports; taxes; labour standards; mining royalties; price controls; waste disposal; protection and remediation of the environment; reclamation; historic and cultural resource preservation; mine safety and occupational health; handling; storage and transportation of hazardous substances; and other matters. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that Metallica would not proceed with the exploration and discovery of an economic resource.

As part of its normal course of exploration activities, Metallica has expended resources, both financial and managerial, to comply with governmental and environmental regulations and permitting requirements, and will continue to do so in the future. Moreover, it is possible that future regulatory developments, such as mineral exploration lease renewal, increasingly strict environmental protection laws, regulations and enforcement policies there under, and claims for damages to property and persons resulting from Metallica's exploration, could result in additional substantial costs and liabilities, restrictions on or suspension of Metallica's activities and delays in the exploration of and development of its properties.

Metallica is required to obtain governmental permits to advance exploration activities on its exploration properties. Obtaining the necessary governmental permits is a complex and time consuming process involving numerous agencies and other interested parties. There can be no certainty that these approvals will be granted to us in a timely manner, or at all. The duration and success of each permitting effort are contingent upon many variables not within Metallica's control. Governmental approvals, licenses and permits are subject to the discretion of the applicable governments or governmental officials and potentially consideration of other parties' interests or rights. In the context of environmental protection permitting, including the approval of reclamation plans, Metallica must comply with known standards, existing laws and regulations that may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and the interpretation of the laws and regulations implemented by the permitting authority. No assurance can be given that Metallica will be successful in obtaining or maintaining any or all of the various approvals, licenses and permits required to operate its businesses in full force and effect or without modification or revocation. The failure to obtain or renew certain permits, or the imposition of extensive conditions upon certain permits, could have a material adverse effect on Metallica's business, operations and financial condition.

Failure to comply with applicable environmental, health and safety laws can result in injunctions, damages, suspension or revocation of permits and imposition of penalties. There can be no assurance that Metallica has been or will be at all times in complete compliance with such laws or permits, that compliance will not be challenged or that the costs of complying with current and future environmental, health and safety laws and permits will not materially or adversely affect Metallica's future cash flow, results of operations and financial condition.

As a consequence of public concern about the perceived ill effects of mining and land development, exploration companies such as Metallica face increasing public scrutiny of their activities. Criticism of Metallica's activities or negative publicity, whether accurate or not, could result in damage to Metallica's reputation, which could have an adverse effect on Metallica's share price. The international standards on social responsibility, community relations and sustainability against which Metallica benchmarks its operations are becoming increasingly stringent and extensive over time, and adherence to them is increasingly scrutinized by regulatory authorities, citizens groups and environmental groups, as well as by investors and financial institutions.

Metallica's exploration can also have an impact on local communities, including the need, from time to time, to relocate or resettle communities or infrastructure networks such as railways and utility services. Failure to manage relationships with local communities, governments and non-government organizations may harm Metallica's reputation as well as its ability to bring development projects into production. In addition, the costs and management time required to comply with standards of social responsibility, community relations and sustainability, including costs related to resettlement of communities or infrastructure, have increased substantially recently and are expected to further increase over time.

Metallica's exploration sometimes results in the release of hazardous materials into the environment and these releases, whether or not planned, could cause contamination. Metallica may be required to investigate and remediate contamination, including at properties it formerly operated, regardless of whether it caused the contamination or whether the activity causing the contamination was legal at the time it occurred. Metallica also could be subject to claims by government authorities, individuals, employees or third parties seeking damages for alleged illness, personal injury or property damage resulting from hazardous material contamination or exposure caused by its operations or sites. Metallica could be required to establish or substantially increase financial provisions for such obligations or liabilities and, if it fails to accurately predict the amount or timing of such costs, the related impact on its business, financial condition or results of operations could be material.

Shortages and Price Volatility

Metallica is dependent on various input commodities (such as diesel fuel, electricity, natural gas, steel and concrete) and equipment (including parts) to conduct its exploration activities. A shortage of such input commodities or equipment or a significant increase in their cost could have a material adverse effect on Metallica's ability to carry out its exploration and therefore limit, or increase the cost of, discovery. Metallica is also dependent on access to and supply of water and electricity to carry out its exploration, and such access and supply may not be readily available. Market prices of input commodities can be subject to volatile price movements, which can be material, occur over short periods of time and are affected by factors that are beyond Metallica's control. An increase in the cost, or decrease in the availability, of input commodities or equipment may affect the timely conduct and cost of Metallica's exploration objectives. If the costs of certain input commodities consumed or otherwise used in connection with Metallica's exploration were to increase significantly, and remain at such levels for a substantial period, Metallica may determine that it is not economically feasible to continue exploration on some or all of its current projects, which could have an adverse impact on Metallica's financial performance and share price.

Government Regulations

Metallica's mineral exploration and planned development activities are subject to various federal, provincial and local government laws and regulations governing, among other things, acquisition of mining interests, maintenance of claims, tenure, expropriation, prospecting, development, mining, production, price controls, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, water use, land use, treatment of indigenous peoples, environmental protection and remediation, endangered and protected species, mine safety and other matters. Although Metallica's exploration and planned development activities are currently believed by Metallica to be carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and

regulations will not be enacted or that existing rules and regulations will not be applied or amended in a manner that could have a material adverse effect on the business, financial condition and results of operations of Metallica, including changes to or invalidation of government mining laws and regulations, expropriation or revocation of land or property rights, changes in foreign ownership rights, changes in taxation rates or increased corruption. Metallica is subject to changes to the royalty regimes in the jurisdictions in which it operates. The costs and delays associated with obtaining and complying with necessary licences and permits as well as applicable laws and regulations could stop or materially delay or restrict Metallica from proceeding with the development of an exploration project. Any failure to comply with applicable laws, regulations or licensing and permitting requirements, even if inadvertent, may result in enforcement actions thereunder.

The availability and rights to explore and mine, as well as industry profitability generally, can be affected by changes in government policy that are beyond the control of Metallica. The Queensland Minister for Natural Resources, Mines and Energy does conduct reviews from time to time of policies in connection with the granting and administration of mining tenements. At present, Metallica is not aware of any proposed changes to policy that would affect its tenements.

In Queensland, the *Aboriginal Cultural Heritage Act 2003* and the *Torres Strait Islander Cultural Heritage Act 2003* (which commenced on April 16, 2004) impose duties of care which require persons, including Metallica, to take all reasonable and practical measures to avoid damaging or destroying Aboriginal cultural heritage. This obligation applies across the State and requires Metallica to develop suitable internal procedures to discharge its duty of care in order to avoid exposure to substantial financial penalties if its activities damage items of cultural significance. Under this legislation, indigenous people can exercise control over land with respect to cultural heritage without necessarily having established the connection element (as required under native title law). This creates a potential risk that the tenement holder may have to deal with several indigenous individuals or corporations, where no native title has been established, to identify and manage cultural heritage issues. This could result in tenement holders requiring lengthy lead times to manage cultural heritage for their projects.

Changing attitudes to environmental, land care, cultural heritage and indigenous land rights' issues, together with the nature of the political process, provide the possibility for future policy changes. There is a risk that such changes may affect Metallica's exploration plans or, indeed, its rights and/or obligations with respect to the tenements.

Land Access Risk

Land access is critical for exploration and evaluation to succeed. In all cases the acquisition of prospective tenements is a competitive business, in which proprietary knowledge or information is critical and the ability to negotiate satisfactory commercial arrangements with other parties is often essential.

Access to land for exploration purposes can be affected by land ownership, including private (freehold) land, pastoral lease and native title land or claims under the *Native Title Act 1993* (Commonwealth). Rights to mineral 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 title to a given area.

Native Title Risk

The effect of the *Native Title Act 1993* (Commonwealth) is that existing and new tenements held by Metallica may be affected by native title claims and procedures. Metallica has not undertaken the historical, legal or anthropological research and investigations at the date of this Circular that would be required to form an opinion as to whether any existing or future claim for native title could be upheld over a particular parcel of land covered by a tenement.

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 or to be 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 is registered, Metallica may need to comply with procedures under the *Native Title Act 1993* (Commonwealth) in order to carry out its

operations or to be granted any additional rights such as a mining lease. Such procedures may take considerable time, involve the negotiation of significant agreements, may involve a requirement to negotiate for access rights, and require the payment of compensation to those persons holding or claiming native title in the land which is the subject of a tenement. 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 Metallica Share price.

Exploration Hazards and Risks; Insurance

The operations of Metallica are subject to the hazards and risks normally incidental to exploration activities of any of which could result in damage to life or property, environmental damage and possible legal liability for such damage. The activities of Metallica may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which Metallica has interests. Hazards and risks, such as unusual or unexpected formations, faults and other geologic structures, rock bursts, pressures, cave-ins, flooding, pit wall failures, ground and slope failures and inventory theft, could have an adverse impact on Metallica's operations. Severe weather conditions, including those resulting from global climate change, may adversely impact Metallica's operations. As a result, exploration objectives may be impacted and Metallica may incur significant costs or experience significant delays that could have a material effect on Metallica's financial performance, liquidity and results of operations.

Further, delays due to equipment malfunction or inadequacy may adversely affect Metallica's results of operations. It is impossible to ensure that the current or proposed exploration programs on properties in which Metallica has an interest will result in profitable commercial mining operations.

Mining, processing, development, and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources, and water supply are important determinants, which affect capital and operating costs. Lack of such infrastructure or unusual or infrequent weather phenomena, sabotage, terrorism, government, or other interference in the maintenance or provision of such infrastructure could adversely affect Metallica's operations, financial condition, and results of operations.

Metallica intends to ensure that insurance is maintained within ranges of coverage that Metallica believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance however, can be given that available insurance will cover all the potential risks associated with exploration companies. In addition, no assurance can be given that Metallica can maintain insurance to cover insurable risks at economically feasible premiums, and insurance coverage may not be available in the future or may not be adequate to cover any resulting loss.

Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Metallica or to other companies in the mining industry on acceptable terms. As a result, Metallica might become subject to liability for environmental damage or other hazards for which it is completely or partially uninsured or for which it elects not to insure because of premium costs or other reasons.

Competition in the Exploration Industry

The exploration industry is competitive in all of its phases. Metallica faces competition from other exploration companies in connection with the acquisition of exploration properties. It may also encounter increasing competition from other exploration companies in its efforts to hire experienced professionals. Increased competition could adversely affect Metallica's ability to attract necessary capital funding, to acquire it on acceptable terms, or to acquire suitable prospects for mineral exploration in the future. Increases in bauxite prices have in the past, and could in the future, encourage increases in mining exploration, development and construction activities, which results in increased demand for and cost of contract exploration, development and construction services and equipment. Increased demand for and cost of services and equipment could cause project costs to increase materially, resulting in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, and increased potential for scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment. Any of these outcomes could materially increase project exploration, development or construction costs, result in project delays, or both. As a result of this competition, Metallica may be unable to maintain or acquire attractive mining properties or attract better or more qualified employees.

Certain directors also serve as directors and/or officers of other companies involved in natural resource exploration and development. There is a possibility that such other companies may compete with us for the acquisition of assets. Consequently, there exists the possibility for such directors to be in a position of conflict. If any such conflict of interest arises, then a director who has such a conflict must disclose the conflict to a meeting of the directors and must abstain from and will be unable to participate in discussion or decisions pertaining to the matter. In appropriate cases, Metallica will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict.

Industrial Risk

Industrial disruptions, work stoppages and accidents in the course of Metallica's operations could result in losses and delays, which may adversely affect profitability.

Contractual Risk

Metallica's interests in certain tenements described in this Appendix "F", are by virtue of or are otherwise affected by contractual arrangements. Accordingly, as in any contractual relationship, to the extent that such counterparties default in their obligations under the contracts, it may be necessary for Metallica to approach a court to seek a legal remedy. Such legal action may be costly and no guarantee can be given by Metallica that a legal remedy will ultimately be granted on appropriate terms.

General Risks

Labour and Employment Relations

Exploration at Metallica's projects is dependent upon the efforts of, and maintaining good relationships with, employees of Metallica. Relations between Metallica and its employees may be impacted by changes in labour relations, which may be introduced by, among others, employee groups, unions, and the relevant governmental authorities in whose jurisdictions Metallica carries on business. Adverse changes in such legislation or in the relationship between Metallica and its employees may have a material adverse effect on Metallica's business, results of operations, and financial condition.

Global Financial Conditions

Global financial conditions have been characterized by increased volatility and some financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Although there has been some recovery, there is no certainty that the disruptions and their effects have ended and will not continue to affect the markets. These factors may impact the ability of Metallica to obtain equity or debt financing in the future on terms favourable to Metallica or at all.

Securities of mining companies have experienced substantial volatility, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in the country where Metallica carries on business and globally, and market perceptions of the attractiveness of particular industries.

Financing Risk

Exploration companies need significant amounts of on-going capital to maintain and improve existing operations, invest in large scale capital projects with long lead times, and manage uncertain development and permitting timelines and the volatility associated with fluctuating metals and input prices. Metallica has been successful at financing its projects and operations over the years. However, its ability to continue its exploration activities will depend on the resource industry generally, which is cyclical in nature, and which may, in turn, affect its ability to attract financing, including joint venture financing, debt or bank financing, equity financing or production financing arrangements. Metallica's ability to effectively implement its business strategy over time may depend in part on its ability to raise additional funds. Failure to obtain, or difficulty or delay in obtaining, requisite financing could result

in delay of certain projects or postponement of further exploration, assessment or development of certain properties or projects. Financing through the issuance of equity will result in dilution of existing shareholders.

There can be no assurance that any such equity or debt funding will be available to Metallica on favourable terms or at all. If adequate funds are not available on acceptable terms, Metallica may not be able to take advantage of opportunities or otherwise respond to competitive pressures. In addition, failure to obtain affordable financing could have a material adverse effect on Metallica's business, result of operations and financial condition.

Metallica Share Prices

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the company that has issued them. The market price of the Metallica Shares may fluctuate significantly in response to a number of factors, many of which are beyond Metallica's control, including but not limited to variations in operating results in Metallica's reporting period, changes in market conditions, changes in financial estimates by securities analysts, speculation about Metallica in the press or investment community, changes in market valuation of similar companies, announcements by Metallica of corporate events such as significant acquisitions or capital commitments, loss of any customers, additions or departures of key personnel, any shortfall in turnover or net profit or any increase in losses from levels expected by securities analysts, future issues or sales of Metallica Shares, strategic acquisitions by competitors and regulatory changes. Any or all of these events could result in a material decline in the price of the Metallica Shares.

Dividends and Working Capital Risk

Metallica has not paid dividends on the Metallica Shares and does not anticipate doing so in the foreseeable future. The only present source of funds available to Metallica is through the sale of its securities, short-term high-cost borrowing, or the sale or syndication of a portion of its interest in its mineral properties. While Metallica may generate additional working capital through further equity offerings, short-term borrowing or through the sale or possible syndication of its properties, there is no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of Metallica at risk.

Exchange Rate Fluctuations

Metallica Shares are quoted in Australian dollars and are listed on the ASX. An investment in Metallica Shares by an investor in a jurisdiction, in which the principal currency is not Australian dollars, exposes the investor to foreign currency rate risk. Any depreciation of the Australian dollar, may reduce the value of the investment of the investor in terms of their local currency.

Anti-corruption Laws

Metallica and certain of its subsidiaries and affiliated entities may conduct business in countries where there is government corruption. Metallica is committed to doing business in accordance with all applicable laws and its codes of ethics, but there is a risk that it, its subsidiaries or affiliated entities or their respective officers, directors, employees or agents may act in violation of its codes and applicable laws, including the *Corruption of Foreign Public Officials Act* (Canada) and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Any such violations could result in substantial civil and criminal penalties and might materially adversely affect Metallica's business and results of operations or financial condition.

Litigation Risk

Legal proceedings may be brought against Metallica, for example, litigation based on its business activities, environmental laws, tax matters, volatility in its stock price or failure to comply with its disclosure obligations, which could have a material adverse effect on Metallica's financial condition or prospects. Regulatory and government agencies may bring legal proceedings in connection with the enforcement of applicable laws and regulations, and as a result Metallica may be subject to expenses of investigations and defense, and fines or penalties

for violations if proven, Metallica may potentially incur cost and expense to remediate, increased operating costs or changes to operations, and cessation of operations if ordered to do so or required in order to resolve such proceedings.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

Since July 1, 2017, the beginning of Metallica's most recently completed financial year, there have been and are no legal proceedings outstanding, threatened or pending, by or against Metallica or to which Metallica is a party or to which any of Metallica's property is subject, nor to Metallica's knowledge are any such legal proceedings contemplated, which could become material to Metallica.

Regulatory Actions

Since July 1, 2017, the beginning of Metallica's most recently completed financial year, there have been and are no regulatory actions, proceedings outstanding, threatened or pending, by or against Metallica or to which Metallica is a party or to which any of Metallica's property is subject, nor to Metallica's knowledge are any such legal proceedings contemplated, which could become material to Metallica.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Interests of Management and Others in Material Transactions

Within the 3 most recently completed financial years or during the current financial year, no director or executive officer of Metallica, or shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Metallica Shares, or any known associates or affiliates of such persons, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction that has materially affected or is reasonably expected to materially affect Metallica.

Underwriting Discounts

There are no material underwriting discounts or commissions upon the sale of securities by Metallica if: (a) a director or executive officer of Metallica; (b) a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Metallica Shares; or (c) an associate or affiliate of any of the persons or companies referred to in (a) or (b), above, were or are to be an underwriter or are associates, affiliates or partners of a person or company that was or is to be an underwriter.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

Auditor

The external auditor of Metallica is BDO Audit, located at Level 10, 12 Creek Street, Brisbane, Queensland 4000, Australia. BDO Audit has advised that they are independent of Metallica within the meaning of the Corporations Act (Australia). BDO Audit audited the financial statements of Metallica for the year ended June 30, 2018, and issued an auditor's report dated September 28, 2018.

Transfer Agent

The transfer agent and registrar for Metallica Shares is Link Market Services Pty Ltd., which is located at Level 21, 10 Eagle Street, Brisbane, Queensland 4000, Australia, where transfers of securities of Metallica may be recorded.

MATERIAL CONTRACTS

Other than the contracts entered into in the ordinary course of business and as disclosed below, there are no material contracts entered into by Metallica since the beginning of the most recently completed Fiscal Year, or that are still in effect prior to the date of this Appendix "F".

- Arrangement Agreement – See "*Arrangement Agreement*" in the body of this Circular;
- Metallica Joint Venture Agreement – See "*General Development of Metallica's Business – Three Year History – 2016*" of this Appendix "F";
- CPS Capital Group Underwriting Agreement – See "*General Development of Metallica's Business – Three Year History – 2017*" of this Appendix "F";
- South West Loan Agreement – See "*General Development of Metallica's Business – Three Year History – 2018*" of this Appendix "F"; and
- LCR Mining and Haulage Agreement – See "*General Development of Metallica's Business – Three-Year History – 2016*" of this Appendix "F".

EXPERTS

Name of Experts

BDO Audit prepared the independent auditor's report for the audited annual consolidated financial statements of Metallica for the years ended June 30, 2018, June 30, 2017 and June 30, 2016. BDO Audit is independent in accordance with the Corporations Act (Australia) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Profession Accountants that are relevant to the audit of Metallica's financial statement in Australia.

Information of a scientific or technical nature in respect of the Urquhart Bauxite Project included in this Appendix "F" is based upon the Urquhart Bauxite Technical Report with an effective date of October 19, 2018, prepared by Mr. Stewart Lewis, CEO and Mr. John Horton, Associate of IMC, who are independent "qualified persons" under NI 43-101. A copy of the Urquhart Bauxite Technical Report is available on Metallica's website at www.metallicaminerals.com.au. See "*Technical Information*" of this Appendix "F".

Mr. Stewart Lewis is named in this Appendix "F" as having reviewed and approved certain scientific and technical information as set out under the headings "*Urquhart Bauxite Project*", "*Other Mineral Projects*", "*Management Discussion and Analysis – MD&A for Year Ended June 30, 2018*" and "*Management Discussion and Analysis – MD&A for Year Ended June 30, 2017*". Mr. Lewis is a member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking, to qualify as a competent person as defined in the JORC Code.

Interest of Experts

To the knowledge of Metallica, after reasonable inquiry, as of the date hereof, the aforementioned individuals and, as applicable, their firm(s), associates or affiliates, do not beneficially own, directly or indirectly, any securities of Metallica as of the date hereof.

OTHER MATERIAL FACTS

Other than as disclosed herein, there are no material facts relating to Metallica that are necessary to be disclosed in order for this Appendix "F", together with Appendices "G" and "H", to contain full, true and plain disclosure of all material facts relating to the Metallica Shares.

FINANCIAL STATEMENTS

Metallica's financial statements that are included in this Circular have been prepared in accordance with the AASB Standards and are presented in Australian dollars. These financial statements also comply with IFRS as issued by the International Accounting Standards Board.

As of the date of this Circular, Metallica qualifies as a "designated foreign issuer" as defined in National Instrument 52-107 – *"Acceptable Accounting Principals and Auditing Standards"*.

Included in Appendix "H" to this Circular are the following:

- the Metallica 2018 Annual Financial Report for the year ended 30 June, 2018, containing the audited financial statements for the financial year ended June 30, 2018;
- the Metallica 2017 Annual Financial Report for the year ended 30 June, 2017, containing the audited financial statements for the financial year ended June 30, 2017; and
- the Metallica 2016 Annual Financial Report for the year ended 30 June, 2016, containing the audited financial statements for the financial year ended June 30, 2016.

Exhibit 1 to Appendix "F"
Corporate Governance Charter

See attached.

Corporate Governance Charter

Metallica Minerals Limited ACN 076 696 092 (**Company**)

Table of Contents

Section 1	Principles of Corporate Governance	3
1.1	Board of Directors	3
1.2	Chairperson	5
1.3	Chief Executive Officer/Managing Director	5
1.4	Company Secretary	6
1.5	Induction of New Directors and Ongoing Director Education	6
1.6	Independent Advice	7
1.7	Corporate Ethics	7
1.8	Corporate Code of Conduct	7
1.9	Communications with investors	11
1.10	Selection of external auditor and rotation of audit engagement partner	11
1.11	Committees	12
Section 2	Corporate Governance Committee Charter	13
2.1	Committee members	13
2.2	Purpose	13
2.3	Definition and objectives of Committee	13
2.4	Powers and authority of Committee	14
2.5	Reporting	14
2.6	Application of Standing Rules	15
Section 3	Audit and Risk Management Committee Charter	16
3.1	Committee members	16
3.2	Purpose	17
3.3	Definition and objectives of Committee	17
3.4	Reporting	19
3.5	Risk management policies	20
3.6	Attendance at meetings	20
3.7	Access	20
3.8	Application of Standing Rules	21
Section 4	Remuneration Committee Charter	22
4.1	Committee members	22
4.2	Purpose	22
4.3	Definition and objectives of Committee	22
4.4	Remuneration policies	25
4.5	Approval	25
4.6	Reporting	25
4.7	Meetings	27
4.8	Attendance at meetings	27
4.9	Access	27
4.10	Application of Standing Rules	27
Section 5	Nominations Committee Charter	28
5.1	Committee members	28
5.2	Purpose	28
5.3	Definition and objectives of Committee	28
5.4	Reporting	30
5.5	Attendance at meetings	32
5.6	Access	32
5.7	Application of Standing Rules	32
Section 6	Standing Rules of Committees	33
6.1	Application	33
6.2	Composition	33
6.3	Chairperson	33
6.4	Meetings	33
6.5	Fees	34
6.6	Review of Charter	34
6.7	Duties and responsibilities	34
Section 7	Corporate Ethics Policy	35
7.1	Introduction	35
7.2	Directors' powers and duties	35

Table of Contents

7.3	General.....	35
7.4	General duties of Directors.....	36
7.5	Avoiding conflicts.....	38
7.6	Confidentiality	39
7.7	Independence.....	39
7.8	Dealings by Directors in Securities of Company	39
7.9	Notification to ASX of Directors' interests	39
7.10	Company's obligation of disclosure.....	42
Section 8	Diversity Policy	55
8.1	General purpose and principle	55
8.2	Responsibility for Policy	56
8.3	Measurable objectives, targets and key performance indicators - gender diversity	56
8.4	Compliance requirements	56
8.5	Communication.....	57
8.6	Accountability	57
8.7	Addenda to this Policy.....	57
8.8	Overriding caveat	57
Section 9	Trading Policy.....	59

Corporate Governance Charter

Definitions

Annual Report means the annual report of the Company.

ASIC means the Australian Securities and Investments Commission.

ASX means the ASX Limited ABN 98 008 624 691.

ASX Listing Rules or Listing Rules means the Official Listing Rules of the ASX as amended or replaced from time to time.

Audit and Risk Management Committee means the Committee charged with determining, implementing and assessing controls for financial management, financial reporting and risk management generally for the Company.

Board means board of Directors of the Company.

Chairperson means the chairperson of the Board.

Charter means the charter adopted from time to time with respect to each Committee, as applicable to that Committee.

Chief Executive Officer means the person (if any) engaged by the Company in the role of the chief executive officer of the Company.

Chief Financial Officer means the person (if any) engaged the Company in the role of the chief financial officer of the Company.

Committee means a committee created by the Board under this Corporate Governance Charter including without limitation, the Audit and Risk Management Committee, the Remuneration Committee, the Corporate Governance Committee and the Nominations Committee (as applicable to the relevant section of this Corporate Governance Charter and as established from time to time).

Company means Metallica Minerals Limited ACN 076 696 092.

Company Secretary means a person appointed by the Company to be the company secretary.

Constitution means the constitution of the Company.

Corporate Ethics Policy means the policy set out in Section 7 setting out directors' duties given their position with the Company, obligations with respect to trading in securities and general disclosure obligations.

Corporate Governance Charter means the policies, procedures and Charters set out in this document.

Corporate Governance Committee means the Committee charged with reviewing compliance by the Board with, among other matters, the provisions of this document.

Corporate Governance Principles and Recommendations means the *Corporate Governance Principles and Recommendations Third Edition* issued by the ASX Corporate Governance Council in 2014 as amended or replaced from time to time.

Corporate Governance Statement means the statement referred to in Listing Rule 4.10.3 which discloses the extent to which the Company has followed the Corporate Governance Principles and Recommendations.

Corporations Act means the *Corporations Act 2001* (Cth) as amended or replaced from time to time.

Corporate Governance Charter

Director means a director of the Company.

Diversity includes, but is not limited to, matters of gender, age, disability, ethnicity, marital or family status, sexual orientation, gender identity and religious or cultural background.

Diversity Policy means the policy set out in Section 8 developed from time to time by the Board establishing measurable objectives for achieving Diversity.

Guidance Note means the Guidance Notes published by the ASX as amended or replaced from time to time.

Independent Director means a Director who has a sufficient level of independence to the Company, determined in accordance with subclause 1.1(c) of this document.

Listing Rules Official Listing Rules of the ASX as amended or replaced from time to time.

Management means the executive Directors and senior management of the Company.

Managing Director means the Director (if any) engaged by the Company in the role of the managing director of the Company.

Nominations Committee means the Committee for assisting the Board in relation to, among other things, the appointment of members to the Board and of senior management and in assessing the performance of such individuals.

Non-Independent Director means a Director who is not an Independent Director.

Remuneration Committee means the Committee charged with, among other things, reviewing remuneration levels for Directors and senior management.

Securities has the meaning given in section 92 of the Corporations Act.

Standing Rules means the general and procedural rules of each Committee set out in Section 6 of this Corporate Governance Policy.

Trading Policy means the policy set out in Section 9 developed from time to time by the Board setting out the procedure for trading in Securities of the Company by Directors, managerial staff, employees and any other persons who may be associated with the Company.

Corporate Governance Charter

Section 1 Principles of Corporate Governance

1.1 Board of Directors

(a) General

This document sets out the main principles adopted by the Board of Directors of the Company to implement and maintain a culture of good corporate governance both internally and in its dealings with outsiders.

The Board of the Company is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

The matters set out in this document are subject to the Corporations Act, the Constitution and the ASX Listing Rules.

The purpose of preparing and disclosing the matters set out in this document is to:

- (1) formalise procedures to ensure the Company and the Board act in a transparent and appropriate manner in their respective internal and external dealings;
- (2) ensure that appropriate checks, balances and procedures are in place to monitor the operations of the Company and those charged with its management; and
- (3) provide shareholders with a transparent method to evaluate the performance of the Company from a corporate governance perspective.

In preparing and implementing these strategies, the Company and the Board are mindful of the Corporate Governance Principles and Recommendations.

(b) Functions, powers and responsibilities of Board

Generally, the powers and obligations of the Board are governed by the Corporations Act and the general law.

Without limiting those matters, the Board expressly considers itself responsible for the following:

- (1) ensuring compliance with the Corporations Act, ASX Listing Rules (where appropriate) and all other relevant laws;
- (2) providing leadership and developing, implementing and monitoring strategic operational and financial objectives for the Company and the overall performance of the Company;
- (3) appointing appropriate staff, consultants and experts to assist in the Company's operations;
- (4) ensuring appropriate financial and risk management controls are implemented;
- (5) setting, monitoring and ensuring appropriate accountability and a framework for remuneration of Directors and executive officers;

Corporate Governance Charter

- (6) establishing and overseeing the Company's process for making timely and balanced disclosure of all material information in accordance with the ASX Listing Rules;
- (7) implementing appropriate strategies to monitor performance of the Board in implementing its functions and powers;
- (8) implementing and overseeing the Company's risk management framework to enable risk to be identified, assessed and managed and to set the risk appetite the Board expects Management to operate within;
- (9) appointing the Chairperson;
- (10) appointing and removing the Chief Executive Officer and Company Secretary;
- (11) approving the appointment and, where appropriate, removal of members of Management;
- (12) contributing to and approving Management's development of corporate strategy and performance objectives;
- (13) monitoring Management's implementation of strategy and performance generally, and ensuring appropriate resources are available to Management;
- (14) monitoring the effectiveness of the Company's governance practices;
- (15) approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- (16) approving the annual budget;
- (17) liaising with the Company's external auditors;
- (18) approving and monitoring financial and other reporting systems of the Company (including external audit) and the integrity of these systems; and
- (19) appointing and overseeing Committees where appropriate to assist in the above functions and powers.

(c) **Structure of Board**

The structure of the Board is determined in accordance with the following principles:

- (1) to aim for, so far as is practicable given the size and the nature of the operations of the Company, a majority of the Board being Independent Directors;
- (2) to aim for, so far as is practicable given the size and the nature of the operations of the Company, the appointment of a Chairperson who is an Independent Director;
- (3) to aim for, so far as is practicable given the size and the nature of the operations of the Company, a Chairperson who is not the chief executive officer;
- (4) to aim for, so far as is practicable given the size and the nature of the operations of the Company, a Board comprising members with diverse backgrounds; and

Corporate Governance Charter

- (5) to have a minimum of three Directors.

In assessing the independence of Directors, the Company has regard to Principle 2 of the Corporate Governance Principles and Recommendations and regards an Independent Director as a non-executive Director (that is, not a member of management) who:

- (1) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- (2) within the last three years has not been employed in an executive capacity by the Company or another group member;
- (3) within the last three years has not been a partner, director or senior employee of a provider of material professional services to the Company or another group member;
- (4) within the last three years has not been in a material business relationship (by example, as a supplier or customer) with the Company or other group member, or an officer of, or otherwise associated with, someone in such a relationship;
- (5) has no material contractual relationship with the Company or another group member other than as a Director;
- (6) does not have close family ties with any person who falls within any of categories (1) - (5) described above; and
- (7) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company or otherwise compromise their independence.

When considering whether a Director is an Independent Director, the materiality of such interest, position, association or relationship must be assessed to determine whether it might influence, or might reasonably be perceived to influence, in a material respect, the Director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its shareholders.

A Director must advise the Chairperson (or, in the case of the Chairperson, another member of the Nominations Committee) if there is a change in his or her interests, positions, associations or relationships that could bear on his or her independence at the earliest opportunity.

In an effort to ensure that the Board comprises members with a broad range of experience, expertise and skills relevant to the Company, the Board may establish a Nominations Committee or will otherwise consider the guidelines set out under the Nominations Committee Charter in Section 5.

1.2 Chairperson

The Chairperson is responsible for leadership of the Board, for efficient organisation and conduct of the Board's function and the briefing of all Directors in relation to issues arising at Board meetings. The Chairperson is also responsible for shareholder communication and arranging Board performance evaluation.

1.3 Chief Executive Officer/Managing Director

The Chief Executive Officer or Managing Director (if any) is responsible for running the day to day affairs of the Company under delegated authority from the Board and to implement the

Corporate Governance Charter

policies and strategies set by the Board, within the risk appetite determined by the Board. In carrying out his or her responsibilities, the Chief Executive Officer or Managing Director must report to the Board in a timely manner and ensure that all reports to the Board are clear and accurate and present a true and fair view of the Company's financial position and operating results.

The Chief Executive Officer or Managing Director (if any) (together with the Chief Financial Officer, if there is one) will be required to state in writing to the Board that the financial records of the Company have been properly maintained and that the financial reports of the Company comply with relevant accounting standards and represent a true and fair view, in all material respects, of the Company's financial position and performance.

1.4 Company Secretary

The role of the Company Secretary is to support the effectiveness of the Board and the Committees. In carrying out his or her responsibilities, the Company Secretary is accountable directly to the Board in the performance of this role which includes, without limitation:

- (a) advising the Board and the Committees of governance matters;
- (b) monitoring compliance with Board and Committee policy and procedures;
- (c) coordinating the timely completion and despatch of Board and Committee papers;
- (d) ensuring that the business at Board and Committee meetings is accurately recorded in the minutes; and
- (e) helping to organise and facilitate the induction and professional development of Directors.

1.5 Induction of New Directors and Ongoing Director Education

On their first appointment, Directors will have the benefit of an induction program aimed at deepening their understanding of the Company, its activities and the business, environment and markets in which the Company operates. As part of the program Directors will receive a manual of essential Board and Company information and will be given briefings by Management.

As part of the induction process new Directors may complete a self assessment of their capabilities and competencies to determine areas where further development will be beneficial in contributing to the Board's performance. Development in these areas will then be considered and discussed with the new Director by the Nomination Committee (if established) or the Chairperson.

The Company will provide an ongoing education and development program for Directors which includes both formal and informal sessions. The program is intended to cover overall competencies required of any Director and also specific knowledge relevant to the Company's business. It is desirable for all Directors to complete the Australian Institute of Company Directors Course (or equivalent) and related formal assessment.

Directors are also expected to keep themselves abreast of changes and trends in the Company's business, environment and markets and to keep abreast of changes and trends in the economic, political, social and legal climate generally. Directors are expected to have an appropriate base level of understanding on accounting matters. Additional development and training in this area can be discussed with the Nomination Committee (if established) or the Chairperson by a Director. The Company will also provide briefings on developments in accounting standards.

Corporate Governance Charter

1.6 Independent Advice

A Director may seek independent advice, including legal advice, where he or she believes it is necessary to properly discharge his or her duties as a Director. The Company will pay for the reasonable cost of this advice provided that the Director has obtained the prior written approval of the Chairperson (including for the cost of the advice).

If the Chairperson wishes to seek independent advice and wishes for the Company to pay for the reasonable costs of that advice, the Chairperson must obtain the prior written approval (including for the cost of the advice) of the chairperson of the Corporate Governance Committee or other applicable Committee.

Where a Director's request in respect of independent advice is approved as set out above, the Director and the Chairperson should agree who will provide instructions to the independent adviser. If the Chairperson has requested the advice, the Director who provided the approval to obtain the advice should undertake this role.

Where a Director's request in respect of independent advice is approved as set out above, a copy of the advice obtained will be provided to all Directors together with an explanation as to why the advice was obtained unless the Chairperson determines that this is not appropriate or that a different approach should be taken.

The other Directors will be advised if the Chairperson approves or declines a request to obtain independent advice unless the Chairperson determines such notification is not appropriate or that a different approach should be taken.

1.7 Corporate Ethics

The Company has adopted, under Section 7, a Corporate Ethics Policy which has been agreed to by each member of the Board setting out, in addition to these principles, the obligations of integrity and honesty on each member of the Board and his or her obligations with respect to trading in Securities in the Company (which is more comprehensively dealt with in the Trading Policy) and disclosure to the ASX.

In addition to the Corporate Ethics Policy, the Company also adheres to the following statement of principles and responsibilities with respect to both its internal dealings with employees and consultants, and external dealings with shareholders and the community at large.

1.8 Corporate Code of Conduct

(a) Introduction

This code of conduct sets out the standard which the Board, Management and employees of the Company are encouraged to comply with when dealing with each other, shareholders and the broader community.

(b) Commitment of Board and Management to Code of Conduct

The Board and Management approve and endorse this code of conduct. The Board and Management are committed to not only complying with the Company's legal obligations but also to acting ethically and responsibly.

The Board and Management encourage all employees to consider the principles of the code of conduct and use them as a guide to determine how to respond when acting on behalf of the Company.

Corporate Governance Charter

(c) **Responsibilities to shareholders and financial community generally**

The Company aims:

- (1) to increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and the financial community;
- (2) to comply with systems of control and accountability which the Company has in place as part of its corporate governance; and
- (3) to act with honesty, integrity and fairness.

(d) **Responsibilities to clients, customers and consumers**

The Company will comply with all legislative and common law requirements which affect its business. Any transgression from the applicable legal rules is to be reported to Management as soon as a person becomes aware of such a transgression.

(e) **Employment practices**

The Company will seek to employ the best available staff, both male and female, and from diverse backgrounds with the skills required to carry out their roles. The Company will establish measurable objectives for achieving gender diversity.

The Company is committed to the ideal of equal employment opportunity, to providing a workplace that is free of harassment and discrimination and to respecting the human rights of its employees. The Company will ensure a safe workplace and maintain proper occupational health and safety practices commensurate with the nature of the Company's business and activities. To this end, the Company will observe the rule and spirit of the legal and regulatory environment in which the Company operates.

(f) **Responsibility to community and environment**

The Company will recognise, consider and respect legal requirements affecting its operations and comply with all applicable legal requirements.

The Company will act with honesty, integrity and fairness in all dealings with the community and will act responsibly towards the environment.

(g) **Responsibility to individuals**

The Company recognises and respects the rights of individuals and, to the best of its ability, will comply with the applicable legal rules regarding privacy, privileges, private and confidential information.

The Company and the Board will maintain the Company's and its shareholders', customers' and suppliers' information confidentiality unless required to be disclosed by law.

(h) **Obligations relative to fair trading and dealing**

The Company will deal with others in a way that is honest and fair and will not engage in deceptive practices. The Company is committed to complying with the laws and regulations of the countries in which its businesses operate and acting in an ethical manner, consistent with the principles of honesty, integrity, fairness and respect.

Corporate Governance Charter

The Company believes that a fraudulent or corrupt act could significantly impact on the confidence of the Company's stakeholders and significantly diminish the Company's reputation. Accordingly, the Company has a zero tolerance policy to fraud and corruption and will thoroughly investigate and apply the full force of the law where sufficient evidence is obtained.

The Board may implement a fraud prevention and corruption control framework that addresses fraud and corruption prevention planning, resourcing, prevention, detection, response and reporting procedures.

All Directors, Management and employees of the Company and group members must exercise reasonable care and diligence in the prevention of fraud or corruption by or against the Company.

All Directors and employees of the Company or group members must:

- (1) understand and comply with this Code of Conduct;
- (2) not give, offer, accept or request bribes, facilitation payments, secret commissions or other prohibited payments or engage in money laundering or cause any of them to be given, offered, accepted or requested;
- (3) not approve any offers, or make, accept or request an irregular payment or other thing of value, to win business or influence a business decision in favour of the Company or the group members;
- (4) comply with any reporting and approval processes for gifts, entertainment or hospitality implemented by the Board from time to time;
- (5) not offer or receive any gifts, entertainment or hospitality to or from public or government officials or politicians, without approval from the Chairperson or the Board;
- (6) obtain required approvals for donations and sponsorship; and
- (7) immediately report to the Chairperson or the Managing Director (or Chief Executive Officer) if they uncover or suspect an incident of fraud or corruption.

The Company will comprehensively investigate all suspected incidents of fraud or corruption using the principles of independence, objectivity and the rules of natural justice. The Company is committed to ensuring no one suffers detrimental treatment as a result of refusing to take part in conduct that may constitute fraud or corruption or raises a genuine concern in respect of any such conduct.

(i) **Conflicts of interest**

The Board, Management and employees of the Company must not involve themselves in situations where there is a real or apparent conflict of interest between them as individuals and the interests of the Company (excluding those matters which may be subject to legal professional privilege). Where a real or apparent conflict of interest arises the matter should be brought to the attention of the Chairperson in the case of a Director or the Managing Director (if any), the Managing Director or Chief Executive Officer in the case of a member of Management and a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner for all concerned.

Corporate Governance Charter

(j) **Compliance with Code of Conduct**

Any breach of compliance with this code of conduct is to be reported directly to the Chief Executive Officer, Managing Director or Chairperson, as appropriate. Non-compliance with this code of conduct may result in disciplinary action.

(k) **Periodic review of Code of Conduct**

The Company will monitor compliance with this code of conduct periodically by liaising with the Board, Management and staff especially in relation to any areas of difficulty which arise from the code of conduct and any other ideas or suggestions for improvement of the code of conduct. Suggestions for improvements or amendments to the code of conduct can be made at any time.

(l) **Code of Conduct for Directors, employees and contractors**

The Company will endeavour to ensure that the above principles in this code of conduct are implemented and adopted by Directors, employees and contractors of the Company by importing the following principles into the terms of such engagements. Specifically, Directors, employees and contractors will be encouraged and expected to:

- (1) act in the best interests of the Company;
- (2) actively promote the highest standards of ethics and integrity in carrying out their duties for the Company and act honestly;
- (3) comply with the laws and regulations that apply to the Company and its operations;
- (4) not knowingly participate in any illegal or unethical activity;
- (5) disclose any actual or perceived conflicts of interest of a direct or indirect nature of which they become aware and not enter any arrangement or participate in any activity that would conflict with the Company's best interest or which they believe could compromise in any way the reputation or performance of the Company;
- (6) respect confidentiality of all information of a confidential nature which is acquired in the course of the Company's business and not disclose or make improper use of such confidential information to any person unless specific authorisation is given for disclosure or disclosure is legally mandated;
- (7) deal with the Company's customers, suppliers, competitors and each other with the highest level of honesty, fairness and integrity and to observe the rule and spirit of the legal and regulatory environment in which the Company operates;
- (8) protect the assets of the Company to ensure availability for legitimate business purposes and ensure all corporate opportunities are enjoyed by the Company and that no property, information or position belonging to the Company or opportunity arising from these is used for personal gain or to compete with the Company; and
- (9) report any breach of this code of conduct to Management, who will treat reports made in good faith of such violations with respect and in confidence.

Corporate Governance Charter

1.9 Communications with investors

The Company aims to ensure that shareholders are kept informed of all major developments affecting the state of affairs of the Company. To achieve this, the Company communicates information regularly to shareholders through a range of forums and publications.

The Company's website is one of its key communication tools and the Company endeavours to keep its website up-to-date, complete and accurate. The Company's website also contains a facility for shareholders to direct inquiries to the Company and to elect to receive communications from the Company via email.

The Company uses its annual general meeting (**AGM**) as an opportunity to further engage with its shareholders and seek their input on the management of the Company. The Company undertakes a number of steps to seek to maximise shareholders' ability to participate in the AGM process by:

- (a) making Directors, members of Management and the external auditor available at the AGM;
- (b) allowing shareholders in attendance at the AGM a reasonable opportunity to ask questions regarding the items of business, including questions to the external auditor regarding the conduct of the audit and the preparation and content of the auditor's report; and
- (c) providing shareholders who are unable to attend the AGM with an opportunity to submit questions in advance of the AGM.

1.10 Selection of external auditor and rotation of audit engagement partner

(a) Responsibility

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Any appointment made by the Board must be ratified by shareholders at the next AGM of the Company.

(b) Selection criteria

(1) Mandatory criteria

Candidates for the position of external auditor of the Company must be able to demonstrate independence from the Company and an ability to maintain independence through the engagement period. Further, the successful candidate must have arrangements in place for the rotation of the audit engagement partner on a regular basis.

(2) Other criteria

Other than the mandatory criteria mentioned above, the Board may select an external auditor based on criteria relevant to the business of the Company such as experience in the industry in which the Company operates, references, cost and any other matters deemed relevant by the Board.

(c) Review

The Audit and Risk Management Committee will review the performance of the external auditor on an annual basis.

Corporate Governance Charter

1.11 Committees

- (a) As set out in subclause 1.1(b), one of the functions of the Board is to form and monitor any special purpose Committees established to review certain aspects of the operations of the Company, having regard to the principles under this Section 1.
- (b) The Company does not currently have any Committees operational. The Company may in the future (if the Directors consider that the Company is of a size or its affairs of such complexity as to justify their formation) establish the following Committees:
 - (1) Corporate Governance Committee;
 - (2) Audit and Risk Management Committee;
 - (3) Remuneration Committee; and
 - (4) Nominations Committee.
- (c) The Charters of each of these Committees are set out in this document.

Corporate Governance Charter

Section 2 Corporate Governance Committee Charter

2.1 Committee members

The Company has not formally established a Corporate Governance Committee as the Directors consider that the Company is not of a size nor are its affairs of such complexity as to justify the formation of this Committee. The Board as a whole is able to address these issues and will initially comprise the Corporate Governance Committee. The Company will review this position annually and determine whether a Corporate Governance Committee needs to be established.

2.2 Purpose

- (a) The Corporate Governance Committee Charter (in this Section 2, **Charter**) sets out the role, responsibilities, powers, authority and membership requirements of the Corporate Governance Committee (in this Section 2, **Committee**).
- (b) Key features of the Charter will be outlined in the Corporate Governance Statement or the Annual Report. The Charter is available to shareholders of the Company on the Company's website.

2.3 Definition and objectives of Committee

- (a) The Committee is a committee of the Board.
- (b) The Committee is responsible for:
 - (1) reviewing the performance of the Board and each individual Director;
 - (2) reviewing compliance by the Company with the Charter;
 - (3) ensuring an appropriate Board and Committee structure is in place to enable the Board to properly perform its review function, having regard to the size of the Company and the nature of its operations;
 - (4) preparing and reviewing the Company's annual public disclosures as required by the ASX Listing Rules regarding the Company's corporate governance system, including preparing the Corporate Governance Statement;
 - (5) periodically reviewing the Company's policies and procedures regarding meeting its continuous disclosure requirements;
 - (6) periodically considering areas of potential liabilities of Directors and seeking to ensure the Company adopts reasonable protective measures;
 - (7) assessing the adequacy and quality of information provided to the Board prior to and during its meetings;
 - (8) reviewing periodically this Charter, the Company's Corporate Governance Charter, Trading Policy, Corporate Ethics Policy and Diversity Policy and any other issues related to corporate governance, and recommending any proposed changes to the Board for approval;
 - (9) ensuring that the necessary controls are in place for risk management to be maintained;

Corporate Governance Charter

- (10) considering any changes to governance guidelines or recommendations of the ASX, and proposing any changes to the Board for approval;
 - (11) conducting an annual performance self-evaluation of the Committee;
 - (12) appraising the Board regularly of significant developments in the course of performing the above duties, including reviewing with the full Board any issues that arise; and
 - (13) ensuring, so far as is practicable having regard to the size of the Company and the nature of its operations, compliance by the Company and the Board with the Corporate Governance Principles and Recommendations.
- (c) The purposes and provisions specified in this Charter are meant to serve as guidelines, and the Committee is delegated the authority to adopt such additional procedures and standards as it deems necessary from time to time to fulfil its responsibilities. Nothing in this Charter will, or is intended to, expand applicable standards of liability under the Corporations Act for directors of a corporation.

2.4 Powers and authority of Committee

- (a) The Committee has the ability to direct any special investigations deemed necessary, to obtain access to the Company's professional advisors as needed and to consult independent experts, where considered necessary, to carry out its duties and has the authority to retain persons having special competencies (including, without limitation, legal or other consultants and experts) to assist the Committee in fulfilling its responsibilities.
- (b) The costs of consultations commissioned by the Committee will be borne by the Company.
- (c) The Committee has been, and will be, granted by the Board unrestricted access to all information and all employees have been, and will be, directed to cooperate as requested by members of the Committee.

2.5 Reporting

- (a) Proceedings of all meetings are to be minuted and signed by the chairperson of the Committee (in this Section, **Committee Chairperson**).
- (b) The Committee, through the Committee Chairperson, is to report to the Board at the earliest possible Board meeting after the Committee meeting regarding the determinations and conclusions at its meetings. Minutes of all Committee meetings (and circular resolutions of the Committee) are to be circulated to the Board. The report will include, but is not limited to:
 - (1) the minutes of the Committee meetings and any formal resolutions;
 - (2) information about any examination or assessment carried out by the Committee including the results of such assessments;
 - (3) an assessment of:
 - (A) the Board and Committee structure;
 - (B) the adequacy and quality of information provided to the Board prior to and during its meetings;

Corporate Governance Charter

- (C) the various Charters;
 - (D) the adequacy of controls in place for risk management; and
 - (E) the effectiveness of the Committee;
 - (4) any recommendations for changes to procedures implemented by the Company, the Board or any Committee;
 - (5) any matters that in the opinion of the Committee should be brought to the attention of the Board and any recommendations requiring Board approval or action; and
 - (6) at least annually, a review of the formal written Charter and its continuing adequacy, and an evaluation of the extent to which the Committee has met the requirements of the Charter.
- (c) In addition, the Committee Chairperson must submit an annual report to the Board (at the Board meeting at which the year end financial statements are approved), summarising the Committee's activities during the year, including:
- (1) a summary of the Committee's main authority, responsibilities and duties;
 - (2) biographical details of the Committee's members, including expertise, appointment, dates and terms of appointment;
 - (3) details of meetings, including the number of meetings held during the relevant period and the number of meetings attended by each member;
 - (4) explanation of any departures from the best practice recommendations under the Corporate Governance Principles and Recommendations;
 - (5) details of any change to the independent status of each member during the relevant period, if applicable; and
 - (6) details of any determinations made by the Committee in satisfying its objectives.

2.6 Application of Standing Rules

The Standing Rules for Committees apply to, and are deemed to be incorporated into this Charter, save where the Standing Rules conflict with any of the terms of this Charter.

Corporate Governance Charter

Section 3 Audit and Risk Management Committee Charter

3.1 Committee members

- (a) The Board has not formally established an Audit and Risk Management Committee as the Directors consider that the Company is not of a size nor are its affairs of such complexity as to justify the formation of this Committee. The Board considers that it is able to efficiently and effectively oversee, without establishing a separate Audit and Risk Management Committee:

- (1) the corporate reporting process; and
- (2) the Company's risk management framework.

In overseeing these matters, the Board will be guided by the Charter set out below. The Company will review this position annually and determine whether an Audit and Risk Management Committee needs to be established. The Company will also provide details in its Corporate Governance Statement, Annual Report or on its website of the processes it employs to:

- (3) independently verify and safeguard the integrity of its corporate reporting (including but not limited to the appointment and removal of the external auditor and the rotation of the audit engagement partner);
 - (4) evaluate and continually improve the effectiveness of its risk management and internal control processes, noting that it does not currently have an internal audit function; and
 - (5) oversee the entity's risk management framework, noting that the Company does not currently have a Risk Management Committee.
- (b) The Audit and Risk Management Committee (in this Section, **Committee**) will ideally consist of the following:
- (1) a minimum of three members;
 - (2) only non-executive Directors (if the Company has three or more non-executive Directors, otherwise the Board may appoint executive Directors to the Committee);
 - (3) a majority of Independent Directors; and
 - (4) an Independent Director as the chairperson who is not the Chairperson of the Board.
- (c) Each member of the Audit and Risk Management Committee is to be financially literate and at least one member of the Committee is to have accounting or related financial management experience. The members of the Audit and Risk Committee should, between them, have the accounting and financial expertise, technical knowledge and a sufficient understanding of the industry in which the Company operates, to discharge the Charter.
- (d) The Company Secretary, Chief Financial Officer, any accounting personnel for the Company and any representatives of the auditors may be invited to form part of the Committee or to attend meetings of the Committee from time to time.

Corporate Governance Charter

3.2 Purpose

- (a) The Audit and Risk Management Committee Charter (in this Section, **Charter**) sets out the role, responsibilities, composition, authority and membership requirements of the Committee.
- (b) Key features of the Charter will be outlined in the Corporate Governance Statement, Annual Report or on the Company's website. The Charter is available to shareholders of the Company on the Company's website.

3.3 Definition and objectives of Committee

- (a) The Committee is a committee of the Board.
- (b) The Committee's primary function is to assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to the Company by:

(1) Audit related

- (A) reviewing and making recommendations to the Board in relation to whether the Company's financial statements reflect the understanding of the members of the Committee, and otherwise provide a true and fair view of the financial position and performance of the Company;
- (B) reviewing and making recommendations to the Board in relation to the appropriateness of the accounting judgments or choices exercised by Management in preparing the Company's financial statements;
- (C) ensuring that the quality of financial controls is appropriate for the business of the Company;
- (D) reviewing the scope, results and adequacy of external and internal audits;
- (E) requiring the external auditors to report to the Committee;
- (F) monitoring corporate conduct and business ethics and ongoing compliance with laws and regulations;
- (G) maintaining open lines of communication between the Board, Management and the external auditors, thus enabling information and points of view to be freely exchanged;
- (H) reviewing matters of significance affecting the financial welfare of the Company;
- (I) ensuring that systems of accounting and reporting of financial information to shareholders, regulators and the general public are adequate and making recommendations in this regard;
- (J) reviewing the Company's internal financial control system;
- (K) considering and making recommendations regarding the appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- (L) monitoring and reviewing the external auditor's independence, objectivity and effectiveness, taking into consideration relevant

Corporate Governance Charter

professional and regulatory requirements and the performance of the external auditor;

- (M) developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provisions of non-audit services by the external audit firm and making recommendations on any proposal by the external auditor to provide non-audit services; and
- (N) where the Company has an internal audit function, reviewing and making recommendations regarding:
 - (i) the appointment or removal of the head of internal audit;
 - (ii) the scope and adequacy of the internal audit work plan; and
 - (iii) the objectivity and performance of the internal audit function.

(2) **Risk related**

- (A) reviewing and making recommendations to the Board in relation to the adequacy of the Company's processes for managing risks, including:
 - (iv) in relation to any incident involving fraud or other break down of the Company's internal controls; and
 - (v) in relation to the Company's insurance program, having regard to the Company's business and the insurable risks associated with the business;
- (B) ensuring the development of an appropriate risk management policy framework that will provide guidance to Management in implementing appropriate risk management practices throughout the Company's operations, practices and systems and overseeing this framework;
- (C) defining and periodically reviewing risk management as it applies to the Company and clearly identifying all stakeholders;
- (D) ensuring the Committee clearly communicates the Company's risk management philosophy, policies and strategies to Directors, Management, employees, contractors and appropriate stakeholders;
- (E) ensuring that the Board and Management establish a risk aware culture which reflects the Company's risk policies and philosophies;
- (F) reviewing methods of identifying broad areas of risk and setting parameters or guidelines for business risk reviews;
- (G) making informed decisions regarding business risk management, internal control systems, business policies and practices and disclosures; and
- (H) considering capital raising, treasury and market trading activities with particular emphasis on risk treatment strategies, products and levels of authorities.

Corporate Governance Charter

- (c) Membership of the Committee will be disclosed in the Corporate Governance Statement, the Annual Report or the Company's website, together with details of the relevant experience and qualifications of members of the Committee.

3.4 Reporting

- (a) Proceedings of all meetings are minuted and signed by the chairperson of the Committee (in this Section, **Committee Chairperson**).
- (b) The Committee, through the Committee Chairperson, is to report to the Board at the earliest possible Board meeting after each Committee meeting regarding the determinations and conclusions of the Committee at its meetings. Minutes of all Committee meetings (and circular resolutions of the Committee) are to be circulated to the Board. The report will include but is not limited to:
 - (1) the minutes of the Committee and any formal resolutions;
 - (2) information about the audit process including the results of internal and external audits;
 - (3) an assessment of:
 - (A) whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs; and
 - (B) the management processes supporting external reporting;
 - (4) procedures for the selection and appointment of the external auditor and for the rotation of external audit partners;
 - (5) recommendations for the appointment or removal of an auditor;
 - (6) any determination by the Committee relating to the performance and independence of the external auditor and whether the Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
 - (7) assessment of the performance and objectivity of the internal audit function;
 - (8) results of its review of risk management and internal compliance and control systems;
 - (9) information about its assessment of any material exposure of the Company to economic, environmental and social sustainability risks (if any) and how it proposes that these risks may be managed;
 - (10) any matters that in the opinion of the Committee should be brought to the attention of the Board and any recommendations requiring Board approval or action; and
 - (11) at least annually, a review of the Company's risk management policy framework and of the formal written Charter and their continuing adequacy, and an evaluation of the extent to which the Committee has met the requirements of the Charter.
- (c) In addition, the Committee Chairperson must submit an annual report to the Board (at the Board meeting at which the year end financial statements are approved) summarising the Committee's activities during the year including:

Corporate Governance Charter

- (1) a summary of the Committee's main authority, responsibilities and duties;
- (2) biographical details of the Committee's members, including expertise, appointment, dates and terms of appointment;
- (3) member and related party dealings with the Company;
- (4) details of meetings, including the number of meetings held during the relevant period and the number of meetings attended by each member;
- (5) explanation of any departures from recommendations 4.1, 7.1, 7.2, 7.3 and 7.4 of the Corporate Governance Principles and Recommendations;
- (6) details of any change to the independent status of each member during the relevant period, if applicable; and
- (7) details of any determination by the Committee regarding the external auditor's independence.

3.5 Risk management policies

The Committee will ensure that the necessary controls are in place for an appropriate risk management framework to be maintained by:

- (a) devising a means of analysing the effectiveness of risk management and internal compliance and control systems and of the effectiveness of their implementation; and
- (b) reviewing the Company's risk management framework at least annually to satisfy the Committee that it continues to be sound.

3.6 Attendance at meetings

- (a) Other Directors (executive and non-executive) have a right of attendance at meetings. However, no Director is entitled to attend that part of a meeting at which an act or omission of that Director or a contract, arrangement or undertaking involving or potentially involving that Director or a related party of that Director is being investigated or discussed.
- (b) Notwithstanding subclause 3.6(a), if in the opinion of the Committee, their investigation or discussion will be assisted by hearing from the interested Director, the Committee may invite that Director to address the Committee. The Committee will give fair consideration to that address. The Director will not, however, be invited to take part in the deliberations following that address.

3.7 Access

- (a) The Committee will have unlimited access to the external and internal auditors, and to senior management of the Company and any group member. The Committee will also have the ability and authority to seek any information it requires to carry out its duties from any officer or employee of the Company and such officers or employees will be instructed by the Board to co-operate fully in provision of such information. The Committee will also have the ability to interview Management and internal and external auditors (with or without Management present).
- (b) The Committee also has the authority to consult independent experts where they consider it necessary to carry out their duties. Any costs incurred as a result of the Committee consulting an independent expert will be borne by the Company.

Corporate Governance Charter

3.8 Application of Standing Rules

The Standing Rules for Committees apply to, and are deemed to be incorporated into this Charter, save where the Standing Rules conflict with any of the terms in this Charter.

Corporate Governance Charter

Section 4 Remuneration Committee Charter

4.1 Committee members

The Board has not formally established a Remuneration Committee as the Directors consider that the Company is not of a size nor are its affairs of such complexity as to justify the formation of this Committee. The Board considers that it is able to deal efficiently and effectively with remuneration issues and will initially comprise the Remuneration Committee. In doing so, the Board will be guided by the Charter set out below. The Company will review this position annually and determine whether a Remuneration Committee needs to be established. The Company will also provide details in its Corporate Governance Statement, the Annual Report or the Company's website of the processes it employs in relation to setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

4.2 Purpose

- (a) The Remuneration Committee Charter (in this Section, **Charter**) sets out the role, responsibilities, composition, authority and membership requirements of the Remuneration Committee (in this Section, **Committee**).
- (b) Key features of the Charter will be outlined in the Corporate Governance Statement, the Annual Report or the Company's website. The Charter is available to shareholders of the Company on the Company's website.

4.3 Definition and objectives of Committee

- (a) The Committee is a committee of the Board which will ideally be comprised of:
 - (1) a minimum of three members;
 - (2) only non-executive Directors (if the Company has three or more non-executive Directors, otherwise the Board may appoint executive Directors to the Committee);
 - (3) a majority of Independent Directors; and
 - (4) an Independent Director as the chairperson.

If the Committee includes an executive Director, the executive Director should not be involved in deciding his or her own remuneration and should be cognisant of any potential conflict of interest if he or she is involved in setting remuneration for other executives that may indirectly affect his or her own remuneration.

- (b) In developing the structure for executive remuneration, consider matters including that:
 - (1) Management should be remunerated by an appropriate balance of fixed remuneration and performance based remuneration;
 - (2) levels of fixed remuneration should be reasonable and fair, relative to the scale of the Company's business, and should reflect core performance requirements and expectations;
 - (3) any performance based remuneration should be clearly linked to specific performance targets which are aligned to the Company's short and long term performance objectives. Such targets should be appropriate to the Company's circumstances, goals and risk appetite;

Corporate Governance Charter

- (4) equity based remuneration may include, among other things, options or performance rights. Such remuneration should include appropriate hurdles that are aligned to the Company's longer term performance objectives and should be structured in a manner so as to ensure they do not lead to a short term focus or the taking of undue risks; and
 - (5) any termination payments for Management should be agreed in advance and should not be applied in the case of removal for misconduct. Consideration will be given as to whether shareholder approval will be required for any termination payments.
- (c) The Committee is responsible for reviewing the remuneration policies and practices of the Company and making recommendations to the Board in relation to:
 - (1) Management remuneration and incentive plans including, but not limited to:
 - (A) pension and superannuation rights and compensation payments and any amendments to that policy proposed from time to time by Management;
 - (B) reviewing the on-going appropriateness and relevance of the Management remuneration policy and other Management benefit programs;
 - (C) considering whether to seek shareholder approval of the Management remuneration policy;
 - (D) overseeing the implementation of the remuneration policy; and
 - (E) reviewing and approving the total proposed payments from each member of Management,and in respect of such Management remuneration, reviewing the competitiveness of the Company's Management compensation programmes to ensure:
 - (F) the programmes are attractive, with a view to ensuring the retention of the Company's Management;
 - (G) the motivation of the Company's Management to achieve the Company's business objectives; and
 - (H) the alignment of the interests of key leadership with the long term interests of the Company's shareholders;
 - (2) remuneration packages for Management including, but not limited to:
 - (A) considering and making recommendations to the Board on the entire specific remuneration for each individual of Management (including fixed remuneration, performance based remuneration, equity based remuneration, termination benefits, retirement rights, service contracts and superannuation), having regard to the Management remuneration policy; and
 - (B) considering whether shareholder approval will be required;
 - (3) non-executive Director remuneration including, but not limited to:

Corporate Governance Charter

- (A) the Company's remuneration framework for non-executive Directors, including the process by which any pool of non-executive Directors' fees approved by shareholders are allocated to non-executive Directors;
- (B) in developing the structure, considering matters including that:
 - (i) non-executive Directors should normally be remunerated by way of fees (in the form of cash, non-cash benefits or superannuation contributions);
 - (ii) levels of fixed remuneration for non-executive directors should reflect the time commitment and responsibilities of the role;
 - (iii) non-executive Directors should not receive performance based remuneration;
 - (iv) non-executive Directors may receive Securities as part of their remuneration, however, they should not receive options with performance hurdles attached or performance rights as part of their remuneration; and
 - (v) non-executive directors should not be provided with retirement benefits (other than statutory superannuation),
- (C) ensuring that the fees for non-executive members of the Board are within the aggregate amount approved by shareholders; and
- (D) providing, in the Corporate Governance Statement, any departures from recommendation 8.2 if necessary;
- (4) the Company's recruitment, retention and termination policies and procedures for senior management;
- (5) incentive plans (equity and cash based) including, but not limited to:
 - (A) reviewing and approving the design of all equity based plans;
 - (B) keeping all plans under review in light of legislative, regulatory and market developments;
 - (C) for each equity-based plan, determining each year whether awards will be made under that plan;
 - (D) ensuring that the equity-based executive remuneration is made in accordance with the thresholds set in plans approved by shareholders;
 - (E) reviewing and approving total proposed awards under each plan;
 - (F) in addition to considering awards to executive Directors and direct reports to the Managing Director, reviewing and approving proposed awards under each plan on an individual basis for executives as required under the rules governing each plan or as determined by the Committee; and
 - (G) reviewing, approving and keeping under review performance hurdles for each equity-based plan;

Corporate Governance Charter

- (6) superannuation arrangements;
- (7) remuneration of members of other Committees of the Board; and
- (8) whether there is any gender or other inappropriate bias in remuneration for Directors, Management or other employees of the Company.

4.4 Remuneration policies

- (a) The Committee should design the remuneration policy in such a way that it:
 - (1) motivates Directors and Management to pursue the long-term growth and success of the Company within an appropriate control framework; and
 - (2) demonstrates a clear relationship between key executive performance and remuneration.
- (b) In performing its role, the Committee is required to ensure that:
 - (1) the remuneration offered is in accordance with prevailing market conditions, and that exceptional circumstances are taken into consideration;
 - (2) contract provisions reflect market practice; and
 - (3) targets and incentives are based on realistic performance criteria.
- (c) The Committee will also:
 - (1) overview the application of sound remuneration and employment practices across the Company; and
 - (2) ensure the Company complies with legislative requirements related to employment practices.

4.5 Approval

- (a) The Committee must approve the following prior to implementation:
 - (1) changes to the remuneration or contract terms of Executive Directors and Management;
 - (2) the design of new, or amendments to current, equity plans or Management cash-based incentive plans;
 - (3) the total level of compensation proposed from equity plans or executive cash-based incentive plans; and
 - (4) termination payments to executive Directors or Management, including consideration of early termination, except for removal for misconduct.

4.6 Reporting

- (a) Proceedings of all meetings of the Committee are to be minuted and signed by the Chairperson.
- (b) The Committee, through the chairperson of the Committee (in this Section, **Committee Chairperson**), is to report to the Board at the earliest possible Board meeting after the Committee meeting regarding the determinations and conclusions of the Committee at

Corporate Governance Charter

its meetings. Minutes of all Committee meetings (and circular resolutions of the Committee) are to be circulated to the Board. The report should include but is not limited to:

- (1) the minutes of the Committee and any formal resolutions;
 - (2) information about the review process undertaken by the Committee;
 - (3) an assessment of:
 - (A) Management remuneration and incentive plans;
 - (B) remuneration packages for Management;
 - (C) non-executive Director remuneration;
 - (D) the Company's recruitment and retention and termination policies and procedures for Management;
 - (E) incentive plans (equity and cash based);
 - (F) superannuation arrangements; and
 - (G) remuneration of members of other Committees of the Board;
 - (4) recommendations for setting remuneration levels for Directors, Management and Committees;
 - (5) any matter that in the opinion of the Committee should be brought to the attention of the Board and any recommendation requiring Board approval or action;
 - (6) at least annually, a review of the formal written Charter and its continuing adequacy, and an evaluation of the extent to which the Committee has met the requirements of the Charter; and
 - (7) providing details of the Company's policies and practices for the deferral of performance based remuneration and the reduction, cancellation or claw back of performance based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.
- (c) In addition, the Committee Chairperson must submit an annual report to the Board (at the Board meeting at which the year end financial statements are approved) summarising the Committee's activities during the year including:
- (1) a summary of the Committee's main authority, responsibilities and duties;
 - (2) biographical details of the Committee's members, including expertise, appointment, dates and terms of appointment;
 - (3) details of meetings, including the number of meetings held during the relevant period and the number of meetings attended by each member;
 - (4) explanation of any departure from recommendations 8.1, 8.2 and 8.3 of the Corporate Governance Principles and Recommendations; and
 - (5) details of any change to the independent status of each member during the relevant period, if applicable.

Corporate Governance Charter

4.7 Meetings

- (a) Despite the Standing Rules, there is no requirement that the Committee meet a set number of times or intervals during a year. Rather, the Committee will meet at such intervals as required to fulfil its obligations.
- (b) In addition, the Committee Chairperson is required to call a meeting of the Committee if requested to do so by any Committee member, the internal or external auditors, the Chairperson of the Board or any other Board member.
- (c) The Committee may also seek input from individuals on remuneration policies but no individual should be directly involved in deciding his or her own remuneration.

4.8 Attendance at meetings

Other Directors (executive and non-executive) have a right of attendance at meetings. However, no Director is entitled to attend that part of a meeting at which the remuneration of that Director or a related party of that Director is being discussed.

4.9 Access

- (a) The Committee will have access to employees of the Company and appropriate external advisers. The Committee may meet with these external advisers without Management being present. The Committee will also have the ability and authority to seek any information it requires to carry out its duties from any officer or employee of the Company and such officers or employees will be instructed by the Board to co-operate fully in provision of such information. The Committee will have the ability to interview Management where considered necessary or appropriate.
- (b) The Committee also has the authority to consult independent experts where they consider it necessary to carry out their duties. Any costs incurred as a result of the Committee consulting an independent expert will be borne by the Company.

4.10 Application of Standing Rules

The Standing Rules for Committees apply to, and are deemed to be incorporated into this Charter, save where the Standing Rules conflict with any of the terms in this Charter.

Corporate Governance Charter

Section 5 Nominations Committee Charter

5.1 Committee members

The Company has not formally established a Nominations Committee as the Directors consider that the Company is not of a size nor are its affairs of such complexity as to justify the formation of this Committee. The Board considers that it is able to deal efficiently and effectively with Board composition and succession issues without establishing a separate Nomination Committee and in doing so, the Board will be guided by the Charter set out below. The Company will review this position annually and determine whether a Nominations Committee needs to be established. The Company will also provide details in its Corporate Governance Statement, the Annual Report or the Company's website of the processes it employs in relation to addressing board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

5.2 Purpose

- (a) The Nominations Committee Charter (in this Section, **Charter**) sets out the role, responsibilities, powers, authority and membership requirements of the Nominations Committee (in this Section, **Committee**).
- (b) Key features of the Charter will be outlined in the Corporate Governance Statement, the Annual Report or the Company's website. The Charter is available to shareholders of the Company on the Company's website.

5.3 Definition and objectives of Committee

- (a) The Committee is a Committee of the Board which will ideally be comprised of:
 - (1) a minimum of three members;
 - (2) only non-executive Directors (if the Company has three or more non-executive Directors, otherwise the Board may appoint executive Directors to the Committee);
 - (3) a majority of Independent Directors; and
 - (4) an Independent Director as chairperson.
- (b) Consideration will be given to seeking appropriate diversity of membership of the Committee to avoid entrenching unconscious bias.
- (c) If the chairperson of the Committee is also the Chairperson of the Board, a separate chairperson should be appointed if and when the Committee is dealing with the appointment of a successor to the Chairperson of the Board.
- (d) The Committee is responsible for assisting the Board in relation to the appointment of members to the Board and of Management (including, without limitation, a Chief Executive Officer, a Chief Financial Officer or a chief operating officer (to the extent that the Company has or requires such positions)), and for the review of the performance of such persons.
- (e) The Committee is also responsible for implementing the Diversity Policy and ensuring that the Company seeks to achieve its objectives set out in the Diversity Policy across all levels in the Company.

Corporate Governance Charter

- (f) The Committee will discharge its responsibility by:
- (1) developing criteria for seeking and reviewing candidates for a position on the Board, including implementation of processes to assess the necessary and desirable attributes of Board members including relevant industry expertise, prior public company experience (especially at the board and committee levels), and other specialized knowledge and technical, professional and social skills most likely to result in superior performance in exercising the duties and discharging the obligations and responsibilities as a member of the Board or a Committee established by the Board;
 - (2) identifying suitable candidates from diverse backgrounds for appointment to the Board or Management positions;
 - (3) undertaking appropriate checks on candidates for Board positions, including as to the person's character, experience, education, criminal history and bankruptcy. A review should also be undertaken of the candidate's other commitments and whether the candidate will have sufficient time to fulfil his or her responsibilities as a Director or member of the Board;
 - (4) reviewing appropriate applications for positions on the Board and recommending individuals for consideration by the Board;
 - (5) ensuring the Company enters a written agreement with each Director and member of Management, setting out the terms of their appointment to ensure both parties have a clear understanding of their roles and responsibilities;
 - (6) in the case of a non-executive Director, the agreement should set out, among other things:
 - (A) the term of appointment and circumstances in which the office will become vacant;
 - (B) time commitments envisaged, as well as expected involvement with Committees or special duties;
 - (C) remuneration (including superannuation) and indemnity and insurance arrangements;
 - (D) requirements regarding disclosure of Director's interests and any matters which may affect the independence of the Director;
 - (E) the requirement to comply with key policies of the Company, including the Corporate Governance Charter, Disclosure Policy, Diversity Policy and Trading Policy;
 - (F) the Company's policy as to when Directors may seek independent advice at the expense of the Company; and
 - (G) ongoing rights of access to corporate information and ongoing confidentiality obligations;
 - (7) in the case of a member of Management, the agreement should generally address the above-mentioned information, as well as a clear description of the individual's position, duties and responsibilities, the person to whom they should report, circumstances which may result in termination and any entitlements on termination;

Corporate Governance Charter

- (8) establishing a Board “skills matrix” to identify any gaps in the collective skills of the Board that should be addressed as part of professional development initiatives and succession planning;
 - (9) implementing a program for inducting new Directors and providing appropriate professional development opportunities for Directors to develop and maintain the skill and knowledge required to perform their roles effectively;
 - (10) reviewing the time requirements of the non-executive Directors and whether those Directors are meeting those requirements;
 - (11) reviewing and making recommendations in respect of Board succession planning generally and ensuring there are plans in place to manage the succession of Management;
 - (12) recommending strategies to address board Diversity and increasing the proportion of women in the Company;
 - (13) recommending procedures for adoption by the Board for the proper oversight of the Board and Management;
 - (14) ensuring that such procedures, once adopted, are implemented such that the performance of the Board, its Committees, each member of the Board and of Management is reviewed and assessed each year in accordance with the procedures. In relation to the review of the Chairperson, a suitable non-executive Director should be allocated responsibility after having obtained the views of the other Directors;
 - (15) reporting to the Board on, and providing recommendations to address, any issues that may emerge from the periodic review of the Board, its Committees, each member of the Board and Management;
 - (16) annually reviewing the composition of each Committee established by the Board and presenting to the Board recommendations for membership of those Committees; and
 - (17) reviewing and making recommendations to the Board in relation to the development and implementation of a process for evaluating the performance of the Board, its Committees and Directors.
- (g) Membership of the Committee will be disclosed in the Corporate Governance Statement, the Annual Report or the Company's website.

5.4 Reporting

- (a) Proceedings of all meetings are minuted and signed by the chairperson of the Committee (in this Section, **Committee Chairperson**).
- (b) The Committee, through the Committee Chairperson, reports to the Board at the earliest possible Board Meeting after each Committee Meeting. Minutes of all Committee meetings (and circular resolutions of the Committee) are to be circulated to the Board. The report should include but is not limited to:
 - (1) the minutes of the Committee and any formal resolutions;
 - (2) procedures for the selection and appointment of proposed Board and Management representatives and for the monitoring of the performance of the Board and Management;

Corporate Governance Charter

- (3) the steps taken to ensure that a diverse range of candidates is considered;
 - (4) recommendation for the appointment or removal of a Board member or member of Management;
 - (5) any determination by the Committee relating to the independence of a proposed Board member;
 - (6) an assessment of the performance of the Board, its Committees, any Board member or member of Management;
 - (7) an assessment of the Board “skills matrix” and diversity that the Board currently has or is looking to achieve in its membership;
 - (8) how the Company is performing against its objectives in the Diversity Policy across all levels of the Company;
 - (9) any matters that in the opinion of the Committee should be brought to the attention of the Board and any recommendations requiring Board approval or action; and
 - (10) at least annually, a review of the formal written Charter and its continuing adequacy, and an evaluation of the extent to which the Committee has met the requirements of the Charter.
- (c) In addition, the Committee Chairperson must submit an annual report to the Board (at the Board meeting at which the year end financial statements are approved) summarising the Committee’s activities during the year, including:
- (1) a summary of the Committee’s main authority, responsibilities and duties;
 - (2) details of the mix of skills and diversity which the Board is looking to achieve in membership of the Board;
 - (3) biographical details of the Committee’s members, including expertise, appointment, dates and terms of appointment;
 - (4) details of meetings, including the number of meetings held during the relevant period and the number of meetings attended by each member;
 - (5) explanation of any departures from best practice having regard to Principles 1 and 2 of the Corporate Governance Principles and Recommendations;
 - (6) details of the policies introduced to address Board and employee Diversity, including but not limited to strategies to increase the proportion of women at all levels of the Company;
 - (7) the measurable objectives that are, or will be, set by the Board to achieve gender diversity in accordance with the Diversity Policy and progress towards achieving them;
 - (8) details of any change to the independent status of each member during the relevant period, if applicable; and
 - (9) details of any determination or recommendations made by the Committee in performing its functions under clause 5.3.

Corporate Governance Charter

5.5 Attendance at meetings

- (a) Other Directors (executive and non-executive) have a right of attendance at meetings of the Committee. However, no Director is entitled to attend that part of a meeting at which an act or omission of that Director or a contract, arrangement or undertaking involving or potentially involving that Director or a related party of that Director is being investigated or discussed.
- (b) Notwithstanding subclause 5.5(a), if in the opinion of the Committee, its investigation or discussion will be assisted by hearing from the interested Director, the Committee may invite that Director to address the Committee. The Committee will give fair consideration to that address. The Director will not, however, be invited to take part in the deliberations following that address.

5.6 Access

- (a) The Committee will have access to the Directors and Management. The Committee will also have the ability and authority to seek any information it requires to carry out its duties from any officer or employee of the Company and such officers or employees will be instructed by the Board to co-operate fully in provision of such information.
- (b) The Committee also has the authority to consult independent experts where they consider it necessary to carry out their duties. Any costs incurred as a result of the Committee consulting an independent expert will be borne by the Company.

5.7 Application of Standing Rules

The Standing Rules for Committees apply to, and are deemed to be incorporated into this Charter, save where the Standing Rules conflict with any of the terms in this Charter.

Corporate Governance Charter

Section 6 Standing Rules of Committees

6.1 Application

These Standing Rules apply to, and are deemed to be incorporated into the Charter of each Committee, except where the terms of these Standing Rules conflict with those of the relevant Charter.

6.2 Composition

- (a) The composition of each Committee will be determined in accordance with the following principles:
 - (1) each Committee will aim to have membership which comprises only non-executive Directors, save where there is not a sufficient number of non-executive Directors or the Board considers that to do so for a particular Committee would be unnecessary or desirable, in which case, the Board may appoint one or more executive Directors to the Committee;
 - (2) each Committee will aim to have a majority of its members being Independent Directors (where appropriate, given the size of the Company and the Board);
 - (3) provided the Committee includes at least one Independent Director, the chairperson of the Committee will be an Independent Director; and
 - (4) the Committee will comprise at least three members.
- (b) Membership of each Committee will be disclosed in the Corporate Governance Statement, the Annual Report or the Company's website.
- (c) Committee members are appointed by the Board.
- (d) The term of appointment as a member is for a period of no more than one year, with Committee members generally being eligible for re-appointment for so long as they remain Directors. The effect of ceasing to be a Director is the automatic termination of that individual's appointment as a member of each Committee.
- (e) Membership of each Committee should be confirmed annually by the Board at the Board's first meeting following its annual shareholder meeting.
- (f) Each Director may attend Committee meetings but will have no voting rights unless he or she is a member of the relevant Committee.

6.3 Chairperson

- (a) The chairperson of each Committee is selected by the Board.
- (b) Should the chairperson be absent from a meeting and no acting chairperson has been appointed, the members of the relevant Committee present at the meeting have authority to choose one of their number to be chairperson for that particular meeting.

6.4 Meetings

- (a) Each Committee will meet at such intervals as required to fulfil its obligations but must meet at least three times annually, unless otherwise specified in the Charter applicable to that Committee.

Corporate Governance Charter

- (b) In addition, the chairperson of a Committee is required to call a meeting of that Committee if requested to do so by any member of that Committee, the external auditors, the internal auditors, the Chairperson or another Board member.
- (c) The chairperson of each Committee will appoint an executive or the Company Secretary to act as secretary to that Committee who will be responsible:
 - (1) in conjunction with the chairperson, for drawing up the agenda, supported by explanatory documentation, and circulating it to the relevant Committee members prior to each meeting; and
 - (2) for keeping the minutes of each meeting of that Committee and circulating them to Committee members and to the other members of the Board.
- (d) A quorum will consist of two members.
- (e) The chairperson of each Committee will report to the Board following each meeting of that Committee on the decisions made by the Committee.
- (f) Meetings may be held in any location and may be held by means of teleconference or videoconference.

6.5 Fees

A member of each Committee is entitled to receive remuneration as determined from time to time by the Remuneration Committee.

6.6 Review of Charter

- (a) Each Charter is to be reviewed annually by the relevant Committee to ensure it remains consistent with that Committee's authority, objectives and responsibilities.
- (b) Significant changes to the Charter must be recommended by the relevant Committee and approved by the Board.

6.7 Duties and responsibilities

- (a) The duties and responsibilities of a member of each Committee are in addition to those duties set out for a Director of the Board.
- (b) The duties and responsibilities of a member of each Committee are set out in each Charter.

Corporate Governance Charter

Section 7 Corporate Ethics Policy

7.1 Introduction

Directors are subject to certain stringent legal requirements regulating their conduct, both in terms of their internal conduct as Directors and in their external dealings with third parties both on their own behalf and on behalf of the Company.

To assist Directors in discharging their duty to the Company in compliance with the relevant laws to which they are subject, the Company has adopted a Corporate Ethics Policy (**Policy**).

This Policy sets out rules binding Directors in respect of:

- (a) a Director's legal duties as an officer of the Company;
- (b) a Director's obligations to make disclosure to the ASX and the market generally; and
- (c) dealings by Directors in shares in the Company.

7.2 Directors' powers and duties

Each Director is required to comply strictly with the legal, statutory and equitable duties as an officer of the Company. Broadly, these duties are:

- (a) to act in good faith and in the best interests of the Company;
- (b) to act with due care and diligence;
- (c) to act for proper corporate purposes;
- (d) to avoid conflicts of interest or duty; and
- (e) to refrain from making improper use of information gained through the office of Director, or taking improper advantage of the office of Director.

7.3 General

Directors owe a variety of duties to the Company which may affect the appropriateness of their attendance at, and participation in, meetings of the Board. These duties arise as a result of the general law and also under the Corporations Act.

The Directors should be aware that if they breach their fiduciary duties to the Company, they may be liable to account to the Company for any profit they derive or to indemnify the Company against any loss their breach has caused.

Breaches of the Corporations Act duties may also give rise to an action for damages, fines and penalties or disqualification.

(a) Common law fiduciary duties

A director is said to be in a fiduciary, as opposed to an arm's length, relationship with the Company. As such a Director will owe various fiduciary duties to the Company which underlie matters relating to the conduct of a Director, including attendance at, and participation in, meetings. The positive duties of a Director include the duty to act in good faith in the best interests of the Company, to act for proper corporate purposes

Corporate Governance Charter

to give adequate consideration to matters for decision and to keep discretions unfettered.

(b) **Corporations Act**

A Director will also be subject to duties imposed by the Corporations Act. They include the duty to exercise care and diligence, to exercise their powers in good faith and for a proper purpose and not to misuse their position or information obtained from their position to gain an advantage for themselves or others or cause detriment to the Company.

7.4 General duties of Directors

(a) **General law duty - to act for proper corporate purposes**

The duty to act for proper corporate purposes requires Directors to exercise the powers granted to them for the purpose for which they were given, not for collateral purposes.

(b) **General law duty - to give adequate consideration and duty not to fetter a director's discretion**

The duty to give adequate consideration to matters for decision and to keep discretions unfettered requires Directors to give adequate consideration to matters when exercising their discretion. They must take positive steps to inform themselves about matters and not simply acquiesce in the decision making process.

(c) **Care and diligence**

(1) **General law and Corporations Act duty - to act with a reasonable degree of care and diligence in exercising a director's powers and discharging a director's duties**

Under the Corporations Act, a Director must exercise the Director's powers and discharge the Director's duties with the degree of care and diligence that a reasonable person would exercise if that person:

(A) was a director of a company in the same circumstances as the Company; and

(B) occupied the same office and had the same responsibilities as the Director.

Case law on these provisions illustrates that the scope of the obligation of care and diligence will depend on the nature of the director's role and his or her position with the Company. For instance, generally executive directors will be subject to a higher standard of care and it has been held that a chairperson of a company who is also chairperson of the company's audit and risk management committee may have a higher duty of care than a mere non-executive director.

Apart from the Corporations Act obligation, a failure of a Director to act with a reasonable degree of care and diligence is also likely to be considered negligent.

Corporate Governance Charter

(2) **Business Judgment Rule**

The Corporations Act provides for a mechanism for a Director to avoid a breach of the Director's duty of care and diligence where certain parameters are met. This is known as the "business judgment rule". All Directors are expected to be familiar with this rule.

In summary, a Director who makes a business judgment is taken to meet the duty of care and diligence (whether under statute or the general law) if the Director:

- (A) makes the judgment in good faith and for a proper purpose;
- (B) does not have a material personal interest in the subject matter of the judgment;
- (C) informs himself or herself about the subject matter of the judgment to the extent he or she reasonably believes to be appropriate; and
- (D) rationally believes that the judgment is in the best interests of the corporation.

The Director's belief that the judgment is in the best interests of the Company is a rational one unless that belief is one that no reasonable person in the Director's position would hold.

A "business judgment" is any decision to take or not take action in respect of a matter relevant to the business operations of the Company.

While the business judgment rule assists Directors to avoid a breach of their duty of care and diligence under both the Corporations Act or under the general law, it does not relieve breaches of the other duties of Directors, whether under the Corporations Act or otherwise, described above.

(d) **Act in good faith**

There are general law and Corporations Act duties:

- (1) to act in good faith in the best interests of the Company;
- (2) to act for a proper purpose;
- (3) not to improperly use the Director's position; and
- (4) not to improperly use information obtained by virtue of the Director's position.

The duty to act in good faith in the best interests of the Company requires Directors to use their discretion honestly and with reasonable care and diligence for the purposes for which it was conferred. A Director must not promote his or her personal interest by making or pursuing a gain in circumstances in which there is a conflict, or a real possibility of a conflict, between his or her personal interests and those of the Company. Additionally, a Director must not act to promote the interest of a third person where there is a conflict, or a real possibility of conflict, between their fiduciary duties to the Company and any duties owed to the third person.

Corporate Governance Charter

7.5 Avoiding conflicts

(a) Attending and participating in Board meetings

The duties in relation to conflict are of particular importance when a Director is considering whether or not he or she should attend and participate in Board meetings.

This rule requires a Director to avoid situations in which there is a “real and sensible possibility” of conflict between the Director's personal interests and the Company's interests. This duty is also of particular significance where Directors hold multiple directorships. While merely holding multiple directorships, even in competing companies, is not a breach of the rule against conflict, the rule will be breached if the Director discloses confidential information which the Director has gained as a result of their directorship of the other company.

Consequently, if a Director has a conflicting personal interest, whether direct or indirect, in a matter to be discussed at a meeting of the Board, they should first disclose this matter to the Board and then consider whether participating in the matter would result in a breach of their fiduciary duties.

(b) Material personal interest

A Director who has a material personal interest in a matter that relates to the affairs of the Company is required to disclose this to the Company.

Directors who have a material personal interest in a matter generally must not attend a meeting of the Board while that matter is being considered or vote on the matter. However, a Director may do these things if a resolution of the Board is passed to this effect or if ASIC has given its consent.

Despite this, the same caution must be exercised as discussed above if the other Directors consent to the conflicted Director participating in the meeting. The conflicted Director should ensure that participation won't be in breach of his or her fiduciary duties or the duties imposed by the Corporations Act.

(c) Common directorships

These duties become particularly relevant where companies have directors in common and a decision involving a potential conflict of interest is required to be taken by one of the companies. In this case, it will generally be prudent for a director who is on the board of both companies not to participate in the decision making process of either company on that matter.

(d) Directors providing services to Company

To capitalise on the professional/technical expertise or experience of the Directors from time to time (other than in their capacity as Directors), the Company may engage the services of a Director (or a firm associated with the Director) **only** on the following terms and conditions:

- (1) the scope of the consultancy (or other services) is identified, together with a schedule of estimated costs and charge-out rates to be incurred with the Director or their firm;
- (2) (where considered necessary or appropriate) the Board seeks additional quotations for the same services; and
- (3) the consultancy services are approved by the Board.

Corporate Governance Charter

7.6 Confidentiality

The Directors will have access to any information which the Directors may consider necessary to perform their responsibilities and exercise their independent judgment when making decisions. All information received by a Director in these circumstances must be considered confidential and at all times remains the property of the Company.

Any confidential information of the Company acquired by a Director during the Director's appointment must not be disclosed by the Director, or the Director must not allow it to be disclosed, to any other person unless the disclosure is authorised by the Chairperson or is required by law or regulatory body (including a relevant stock exchange).

7.7 Independence

The Board is required to regularly (and in any event, at least annually) assess the independence of Directors to ensure that Directors do not have any relationship or interest that interferes with their unfettered and independent judgment, or could reasonably give the impression that the Director's independence has been compromised.

Set out in Section 2 is the Corporate Governance Committee Charter under which the Corporate Governance Committee is charged with assessing the independence of each Director on behalf of the Board.

Directors are required to co-operate fully with any assessment process and give all reasonable information requested.

Directors are also required to fully and frankly tell the Board about anything that:

- (a) may lead to an actual or potential conflict of interest or duty;
- (b) may lead to a reasonable perception of an actual or potential conflict of interest or duty;
- (c) interferes with a Director's unfettered and independent judgment; or
- (d) could reasonably give the impression that a Director's independence has been compromised.

Directors are also required to tell the Company about any interest which they may have in Securities of the Company (or of a related body corporate) or interest in any contract relating to those Securities. This is discussed in greater detail below.

7.8 Dealings by Directors in Securities of Company

The Company has adopted the Trading Policy set out in Section 9 which is designed to ensure that Directors and others associated with the Company do not deal in Securities of the Company at inappropriate times or in inappropriate circumstances.

7.9 Notification to ASX of Directors' interests

Directors must also be aware that pursuant to the provisions of the Corporations Act they are obliged to provide the ASX with appropriate notifications of their interests in the Company.

Pursuant to section 205G of the Corporations Act, Directors must notify the ASX of their:

- (a) relevant interests in Securities of the Company or of a related body corporate; and
- (b) contracts:

Corporate Governance Charter

- (1) to which the Director is a party or under which the Director is entitled to a benefit; and
- (2) that confer a right to call for or deliver shares in, debentures of, or interests in a managed investment scheme made available by the Company or a related body corporate.

Directors must also ensure that the ASX is notified of the above interests in accordance with Listing Rule 3.19A. This Rule requires the Company, not the particular Director, to notify the ASX of the above interests.

Accordingly, the Company will enter into an agreement with each Director under which each Director will be obliged to provide the necessary information to the Company. An agreement of this nature recognises that much of the information required by the ASX, under section 205G, is held by each Director, by virtue of their position and role within the Company. By entering into a formal agreement, the Company ensures that each Director has been notified of his or her disclosure obligations under the Corporations Act and each Director authorises the Company to give the information provided by him or her to the ASX on his or her behalf and as his or her agent.

In particular, Listing Rule 3.19A provides that:

- (c) when a Director is appointed - the Company must notify the ASX of the above interests within five business days after the appointment (the appropriate form is ASX appendix 3X). Accordingly, each Director must provide the following information as at the date of his or her appointment as a Director:
 - (1) details of all Securities registered in his or her name, including the number and class of the Securities;
 - (2) details of all Securities not registered in the Director's name but in which he or she has a relevant interest within the meaning of section 9 of the Corporations Act, including the number and class of the Securities, the name of the registered holder and the circumstances giving rise to the relevant interest; and
 - (3) details of all contracts to which the Director is a party or under which the Director is entitled to a benefit, and that confer a right to call for or deliver shares in, debentures of, or interests in a managed investment scheme made available by the Company or a related body corporate, including the number and class of the shares, debentures or interests, the name of the registered holder if the shares, debentures or interests have been issued, and the nature of the Director's interest under the contract.
- (d) where a change in the above interests of a Director occurs - the Company must advise the ASX of the change in the Director's interests no more than five business days after the change occurs (the appropriate form is ASX appendix 3Y). Directors will need to provide to the Company on an on-going basis, as soon as reasonably possible after the date of the change and, in any event, no later than three business days after the date of the change:
 - (1) details of changes in Securities registered in the Director's name, including the following:
 - (A) the date of the change;
 - (B) the number and class of Securities held before and after the change;
 - (C) the nature of the change (eg, on-market, off-market);

Corporate Governance Charter

- (D) the consideration paid or received in connection with the change; and
 - (E) if an off-market transaction, the value of the Securities that are the subject of the change;
- (2) details of changes in Securities not registered in the Director's name but in which he or she has a relevant interest within the meaning of section 9 of the Corporations Act, including the following:
 - (A) the date of the change;
 - (B) the number and class of Securities held before and after the change;
 - (C) the name of the registered holder before and after the change;
 - (D) the circumstances giving rise to the relevant interest;
 - (E) the nature of the change (eg, on-market, off-market);
 - (F) the consideration paid or received in connection with the change; and
 - (G) if an off-market transaction, the value of the Securities that are the subject of the change; and
- (3) details of all changes to contracts to which the Director is a party or under which the Director is entitled to a benefit, and that confer a right to call for or deliver shares in, debentures of, or interests in a managed investment scheme made available by the Company or a related body corporate, including the following:
 - (A) the date of the change;
 - (B) the number and class of the shares, debentures or interests to which the interest relates before and after the change;
 - (C) the name of the registered holder if the shares, debentures or interests have been issued; and
 - (D) the nature of the Director's interest under the contract; and
- (e) where a Director ceases to be a Director - the Company must notify the ASX of the interests of the Director at the time the Director ceases to be a Director, no more than five business days after the director ceases to be a Director (the appropriate form is ASX appendix 3Z). Directors must supply to the Company as soon as reasonably possible after the date of ceasing to be a Director and, in any event no later than three business days after the date of ceasing to be a Director, the following information:
 - (1) details of all Securities registered in the Director's name, including the number and class of the Securities;
 - (2) details of all Securities not registered in the Director's name but in which he or she has a relevant interest within the meaning of section 9 of the Corporations Act, including the number and class of the Securities, the name of the registered holder and the circumstances giving rise to the relevant interest; and
 - (3) details of all contracts to which the Director is a party or under which he or she is entitled to a benefit, and that confer a right to call for or deliver shares in, debentures of, or interests in a managed investment scheme made available

Corporate Governance Charter

by, the Company or a related body corporate, including the number and class of the shares, debentures or interests, the name of the registered holder if the shares, debentures or interests have been issued, and the nature of the Director's interest under the contract.

Directors should also be aware of the substantial shareholder provisions contained in section 671B of the Corporations Act which require certain notices to be served on the Company and the ASX when a shareholder has a relevant interest in at least 5% of the issued shares in the Company and any changes of more than 1% to that relevant interest.

7.10 Company's obligation of disclosure

(a) ASX Listing Rules

As a listed entity, the Company must comply with certain continuous disclosure obligations imposed by the Corporations Act and the ASX Listing Rules. Chapter 3 of the ASX Listing Rules requires the Company to provide the ASX with immediate notice of certain material information.

The general disclosure rule imposed on the Company is contained in Listing Rule 3.1 of the ASX Listing Rules:

"3.1 Once an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately tell ASX that information."

ASX Listing Rule 3.1A provides that Listing Rule 3.1 does not apply to particular information while each of the requirements of Listing Rule 3.1A are satisfied (see subclause 7.10(f) below).

There is also the "false market"/"rumours" disclosure rule in Listing Rule 3.1B as follows:

"3.1B If ASX considers that there is or is likely to be a false market in an entity's securities and asks the entity to give it information to correct or prevent a false market, the entity must immediately give ASX that information."

The provisions of chapter 3 are reinforced by chapter 6CA of the Corporations Act. In particular, section 674(2) provides that if:

- (1) provisions of the listing rules of a listing market in relation to an entity require an entity to notify the market operator of information about specified events or matters as they arise for the purpose of the operator making that information available to participants in the market;
- (2) the entity has information that those provisions require the entity to notify to the market operator; and
- (3) that information:
 - (A) is not generally available; and
 - (B) is information that a reasonable person would expect, if it were generally available, to have a material effect on the price or value of securities of the entity,

Corporate Governance Charter

the entity must notify the market operator of that information in accordance with those provisions.

It is therefore essential that Directors acquaint themselves not only with their personal obligations of disclosure, but also the disclosure obligations imposed on the Company.

(b) **The disclosure obligation**

Under the provisions of Listing Rule 3.1, the Company is required to immediately notify the ASX of any information concerning the Company of which it is, or becomes, aware, and which a reasonable person would expect to have a material effect on the price or value of the Company's shares.

(1) **When is the Company aware of information?**

The Listing Rules provide that the Company is aware of information if a Director or executive officer has, or ought reasonably to have, come into possession of the information in the course of the performance of his or her duties as a Director or executive officer of the Company.

An "executive officer" of the Company means a person who is concerned in, or takes part in, management of the Company. A person can be an executive officer regardless of his or her designation, and irrespective of whether or not the person is a Director.

(2) **The meaning of immediately**

The ASX has issued a guidance note that provides guidance on how ASX interprets the word "immediately" in the context of disclosure. The guidance note provides that the word "immediately" should not be read as meaning instantaneously, but rather as meaning promptly and without delay. Doing something promptly and without delay means doing it as quickly as it can be done in the circumstances (acting promptly) and not deferring, postponing or putting it off to a later time (acting without delay).

ASX recognises that the following circumstances may dictate how quickly an entity can give an announcement of particular information to ASX and will take them into consideration when assessing whether an entity has complied with its disclosure obligations:

- (A) where and when the information originated;
- (B) the forewarning (if any) the entity had on the information;
- (C) the amount and complexity of the information concerned;
- (D) the need in some cases to verify the accuracy or bona fides of the information;
- (E) the need for an announcement to be carefully drawn so it is accurate, complete and not misleading;
- (F) the need for an announcement to comply with specific legal or listing rule requirements, such as the requirement for an announcement that relates to mining or oil and gas activities to comply with chapter 5 of the Listing Rules; and

Corporate Governance Charter

- (G) the need in some cases for an announcement to be approved by the entity's board or disclosure committee.

(3) **What information has a material effect on price?**

The effect of information on the price or value of the Company shares is to be judged by the expectations of a "reasonable person". A reasonable person would expect information to have a material effect on the price or value of the Company shares if the information would, or would be likely to, influence investors who commonly invest in shares in deciding whether or not to deal in the Company shares.

ASX Guidance Note 8 states that an officer faced with a decision on whether information needs to be disclosed under Listing Rule 3.1 may find it helpful to ask two questions in deciding whether information is information that a reasonable person would expect to be disclosed:

- (A) Would this information influence my decision to buy or sell securities at their current market value?
- (B) Would I feel exposed to an action for insider trading if I were to buy or sell securities in the entity at their current market price, knowing this information had not been disclosed to the market?

If the answer to either question is "yes", then that should be taken to be a cautionary indication that the information may be market sensitive and, if the carve-out from immediate disclosure in Listing Rule 3.1A does not apply, may need to be disclosed under Listing Rule 3.1.

The Company and each Director should be aware of ASX policy with respect to the disclosure of material information relating to the:

- (C) financing arrangements of the Company; and
- (D) existence and terms of any finance arrangements that may be in place in relation to a Director's shareholdings (for example margin loans).

(4) **Trading halts**

Where the Company is or will be trading at any time after it first becomes obliged to give market sensitive information to ASX under Listing Rule 3.1 and before it can give an announcement with that information to ASX for release on the market, the Company should consider requesting a trading halt to ensure its Securities are not being traded on an uninformed basis.

The Chairperson and the Managing Director (or Chief Executive Officer) are authorised to make a decision to request a trading halt. In the absence of the Chairperson or the Managing Director (or Chief Executive Officer), the Chief Financial Officer, the Company Secretary or a Director are each authorised to make a decision to request a trading halt. An authorised person will endeavour to consult with the Chairperson and as many Board members as practicable regarding the decision to request a trading halt. No other employees are authorised to request a trading halt or suspension on behalf of the Company.

The Company will have a template letter requesting ASX to grant a trading halt ready for use at all times. The Company will ensure that ASX can always contact someone who can speak on behalf of the Company.

Corporate Governance Charter

(5) **Finance arrangements**

Where the Company has in place or enters into new material financing arrangements or alters existing material financing arrangements which include terms that may be activated on the occurrence of certain events (particularly those beyond the control of the Company, such as market events) disclosure may be required under Listing Rule 3.1 at the time of entry or alteration on the time any such term is activated or becomes likely to be activated.

The disclosure required may include the nature and terms of the arrangements, the trigger event, any other material information such as any impact that triggering of the term may have on the Company's relationship with its bankers, or financial position or financial performance. It may also be appropriate in some circumstances for the Company to request a trading halt if the Company is unable to immediately release the information.

(6) **Employment Contracts**

Listing Rule 3.16.1 requires the Company to immediately tell ASX of a change of Chairperson, Director, Chief Executive Officer (or equivalent), or Company Secretary. In addition, Listing Rule 3.16.4 requires the Company to immediately disclose the material terms of any employment, service or consultancy agreement (or any variation to such agreement) if or a related entity enters into with its Chief Executive Officer, Directors or a related party of its Chief Executive Officer or any Director.

(7) **Margin loans**

Listing Rule 3.19A and 3.19B require the Company to disclose the notifiable interests of a Director within five business days of the appointment or resignation of the Director or a change occurring to the notifiable interests. Information about shareholders and their shareholdings can be material under Listing Rule 3.1 and require immediate disclosure.

A Director must disclose to the Company any financial arrangements or margin loan the Director has entered into in respect of any Securities which the Director holds in the Company. Such disclosure by the Director should be on entering into the arrangements and should include key terms of the arrangements, including the number of Securities involved, the trigger points, any right of the lender to sell unilaterally and any other material details.

Where a Director has entered into a margin loan or similar funding arrangements, the Company may be under an obligation under Listing Rule 3.19A to disclose the key terms of the arrangements, including the detail of the contract, the nature of the interest, the interest acquired and disposed, and the value/consideration.

In certain circumstances a margin loan may be required to be immediately disclosed under Listing Rule 3.1. Determining whether a margin loan arrangement is material and requires immediate disclosure is a matter which the Company must decide having regard to the nature of its operations and the particular circumstances of the Company.

(c) **Ramifications of failing to comply**

The ramifications of failing to comply with the continuous disclosure obligations under Listing Rule 3.1 are extremely serious, and may result in the following actions being taken:

Corporate Governance Charter

(1) **Removal from the ASX**

The ASX may at any time remove the Company from the Official List of the ASX if the Company breaks a Listing Rule.

(2) **Criminal liability**

Under the Corporations Act, a failure to make a disclosure under Listing Rule 3.1, intentionally or recklessly, amounts to a criminal offence, and may result in a fine of \$180,000 for a corporation (as at the date of adoption of this Policy).

In addition, individuals who are “involved” in the contravention (who would include officers or advisers who aid, abet, counsel, procure or are knowingly concerned in the contravention) are also liable. The maximum penalty for individuals is \$36,000, or imprisonment for five years, or both (as at the date of adoption of this Policy).

A negligent failure to make a disclosure under Listing Rule 3.1 is a contravention of the Corporations Act, but will not amount to a criminal offence.

(3) **Civil liability**

Civil liability arises if the failure to disclose is intentional, reckless or negligent and may result in a fine of up to \$1,000,000 (as at the date of adoption of this Policy). Alternatively, ASIC may, by administrative action, issue an infringement notice of up to \$100,000 (as at the date of adoption of this Policy).

Officers who are involved in the breach may also face fines of up to \$200,000 (as at the date of adoption of this Policy).

A person who suffers loss or damage as a result of such failure may recover that loss or damage from the Company, or against “any person involved in the contravention”. This could include the Directors or executive officers of the Company.

(d) **Exemption from disclosure**

The Listing Rules provide that the Company does not need to disclose information under Listing Rule 3.1A if **each** of the following is satisfied:

- (1) one or more of the following applies (Listing Rule 3.1A.1):
 - (A) it would be a breach of a law to disclose the information;
 - (B) the information concerns an incomplete proposal or negotiation;
 - (C) the information comprises matters of supposition, or is insufficiently definite to warrant disclosure;
 - (D) the information is generated for internal management purposes of the Company; or
 - (E) the information is a trade secret;
- (2) the information is confidential (Listing Rule 3.1A.2); and

Corporate Governance Charter

- (3) a reasonable person would not expect the information to be disclosed (Listing Rule 3.1A.3).

It must be noted that the above exemption from the requirement to make disclosure only operates while all three elements are satisfied. If any of the requirements cease to be satisfied, the Company must disclose the information immediately.

By way of example, if information that has not been disclosed by relying on the exemption becomes known in some way to participants in the market, then it **must** be given to the ASX for release to the market, as it would no longer satisfy the confidentiality requirement. It does not matter how the matter became known in the market.

Looking at each of the three elements that must be established for information to be exempt from disclosure:

(1) **One of the elements in Listing Rule 3.1A.1**

One of the five elements in Listing Rule 3.1A.1 must also be established. These elements are:

- (A) it would be a breach of the law to disclose the information;
- (B) the information concerns an incomplete proposal or negotiation;
- (C) the information comprises matters of supposition, or is insufficiently definite to warrant disclosure;
- (D) the information is generated for internal management purposes of the Company; or
- (E) the information is a trade secret.

(2) **Confidentiality (Listing Rule 3.1A.2)**

Listing Rule 3.1A.2 has two components: (1) the information must be confidential; and (2) ASX has not formed the view that the information has ceased to be confidential.

The word confidential in the context of Listing Rule 3.1A.2 means “secret”. Information will be confidential for the purposes of that Listing Rule if:

- (A) it is known to only a limited number of people;
- (B) the people who know the information understand it is to be treated in confidence and only used for permitted purposes; and
- (C) those people abide by that understanding.

The mere fact that a confidentiality agreement has been entered into will not automatically satisfy this element. When negotiating a potentially market sensitive transaction the Company should be monitoring market prices of the Company and other parties involved in the transaction, newspapers, investor blogs and other social media for signs that the transaction may no longer be confidential and have a draft letter to ASX requesting a trading halt and a draft announcement about the negotiations ready to send ASX to cater for that eventuality. Any unusual activity in the Company's shares may also suggest

Corporate Governance Charter

that the information is no longer confidential, in which case, an announcement should be released or the Company should request an immediate trading halt.

(3) **A reasonable person would not expect the information to be disclosed (Listing Rule 3.1A.3)**

A reasonable person would not expect information to be disclosed if the result would be to cause unreasonable prejudice to the Company. Similarly, a reasonable person would not expect disclosures of an inordinate amount of detail.

As a general rule, information that falls within the prescribed categories in Listing Rule 3.1A.1 and that meets the confidentiality requirements in Listing Rule 3.1A.2 will also satisfy the reasonable person test in Listing Rule 3.1A.3.

(e) **Applying the exemption in practice**

The exemption from disclosure would apply, for example, to information which is confidential, which a reasonable person would not expect to be disclosed, and which falls within any one of the categories of Listing Rule 3.1A.3 which may include matters such as:

- (1) proposed acquisitions or disposals or other commercial arrangements in the process of negotiation;
- (2) internal budgets and forecasts;
- (3) management accounts;
- (4) business plans;
- (5) internal market intelligence;
- (6) information prepared for lenders; or
- (7) dispute settlement negotiations.

It is possible to foresee, however, matters which are commercially sensitive, the disclosure of which would be detrimental to the Company, which may be required to be disclosed because they do not fall within the exemptions. For example:

- (8) a serious claim against the company prior to the commencement of proceedings;
- (9) an investigation or allegation by a regulatory body (that is not being disputed by the Company);
- (10) information about a "complete" proposal;
- (11) terms of settlement of a dispute which the parties wish to keep confidential, and which is not supported by a Court order of confidentiality; or
- (12) material terms of a trading agreement with a major supplier.

Whether these sorts of matters will fall within any of the exceptions will depend on, and require, an assessment of the particular facts.

Corporate Governance Charter

The Listing Rules and accompanying Guidance Notes issued by the ASX provide a number of examples of matters that may require disclosure.

(f) **ASX policy**

The ASX has issued Guidance Note 8 in relation to continuous disclosure under Listing Rules 3.1 - 3.1B. Although not necessarily binding on ASX, the Guidance Note gives some insight into the factors ASX will take into consideration when determining if a Company has complied with its continuous disclosure obligations and provides worked examples of the operation of Listing Rule 3.1.

(1) **Prime importance**

The ASX states that timely disclosure of relevant information is of prime importance to the operation of an efficient market. The fundamental principle under which the Listing Rules operate is that *“timely disclosure of market sensitive information is essential to maintaining and increasing the confidence of investors in Australian markets, and to improving the accountability of company management.”*

(2) **Continuous disclosure practice**

The Listing Rules make it clear that all Listing Rules (including Listing Rule 3.1A) must be complied with in the “spirit” of continuous disclosure. The ASX states that the Listing Rules are not intended to be interpreted in a legalistic or restrictive manner.

(3) **Market speculation**

The ASX notes that from time to time it may be necessary to respond to speculation (whether this be a report or rumour) in order for the market to remain properly informed.

The ASX states that it does not expect companies to respond to all comments made in the media, or to respond to all market speculation. However, when the comment or speculation appears to be based on credible market sensitive information (whether that information is accurate or not) and the market moves in a way that appears to reference the comment or speculation, the Company should make a statement in response to ensure the market remains properly informed.

It is ASX policy that whatever the information, and however much it might otherwise have been reasonable not to disclose it, the information should be released to the whole market once it becomes known to any part of the market.

(4) **ASX review**

In considering whether information is sufficiently material to require disclosure, it is important to bear in mind the test the ASX will apply when analysing the Company’s actions after the disclosure might have otherwise been made.

In particular, if information is announced later than when the ASX thinks it should have been and the trading in the lead up to, and shortly after, the announcement suggests that it has moved the market price of the Company’s Securities (relative to other Securities in the same sector) by:

- (A) 10% or more, ASX will generally regard that as confirmation that the information was market sensitive; or

Corporate Governance Charter

- (B) 5% or less, ASX will generally regard that as confirmation that the information was not market sensitive.

The ASX has also set out in the notes to Listing Rule 3.1 a number of specific circumstances that may require disclosure under Listing Rule 3.1.

(5) **Disclosure of information to brokers and the media**

Listing Rule 15.7 has the effect that the Company must not release information which is for release to the market to any person (including the media, even on an embargoed basis) until it has given the information to the ASX, and has received an acknowledgement that the ASX has released it to the market.

With respect to analysts, the ASX states that a company must only disclose public information in answering analysts' questions, or reviewing analysts' draft reports. The ASX states that it is inappropriate for a question to be answered, or a report corrected, if doing so involves providing material information that is not public. The ASX states that when analysts visit a company, care should be taken to ensure that they do not obtain material information that is not public.

(g) **Information disclosure program procedures**

As will be apparent from the above, it is essential for the Company to design a disclosure system to ensure:

- (1) a breach of Listing Rule 3.1A does not occur; and
- (2) that information is made available to all investors equally.

(h) **Directors and executive officers**

Each of the following personnel (**Reporting Group**) will need to participate in the "continuous disclosure" system, because information in their possession will need to be considered to comply with the continuous disclosure obligation:

- (1) the Directors;
- (2) Managing Director or Chief Executive Officer; and
- (3) Chief Financial Officer and Company Secretary.

(i) **Overseeing and co-ordinating disclosure**

The Chairperson, Managing Director (or Chief Executive Officer) and Company Secretary will individually and collectively be responsible for:

- (1) ensuring the Company complies with its continuous disclosure obligations (ie, market sensitive material);
- (2) overseeing and co-ordinating disclosure of information to the ASX;
- (3) reviewing information to be provided to analysts, brokers, the media and the public, to be able to ensure any market sensitive material has been released to the ASX;
- (4) overseeing and co-ordinating any request for a trading halt for the purpose of dealing with a potential disclosure issue; and

Corporate Governance Charter

- (5) educating Directors, Management and employees on the Company's disclosure policy and raising awareness of the principles underlying continuous disclosure.

(j) **Information collecting procedures to ensure Listing Rule 3.1A (market sensitive information) is identified**

The responsibilities of each member of the Reporting Group are:

- (1) to ensure all notifiable (market sensitive) information is kept confidential within the Reporting Group;
- (2) to collect and forward to the Chairperson, Managing Director (or Chief Executive Officer) and Company Secretary, as the case may be, all information which is, or may be required to be disclosed and consult with them if in doubt; and
- (3) to make senior personnel within his or her area of responsibility aware of the Company's disclosure obligations to ensure that all relevant information is provided to them.

(k) **Releasing information to the ASX**

The system for releasing information to the ASX for the Company is as follows:

- (1) As soon as an employee becomes aware of information which they believe may need to be disclosed on the basis of the principles described in this Policy, he or she must immediately notify a member of the Reporting Group.
- (2) When any member of the Reporting Group becomes aware of information which he or she believes may need to be disclosed on the basis of the principles described in this Policy, they should immediately contact and give full details to the Chairperson, Managing Director (or Chief Executive Officer) and Company Secretary, as the case may be.
- (3) Chairperson, Managing Director (or Chief Executive Officer) and Company Secretary, as the case may be, will take the following steps in relation to information forwarded to them:
 - (A) assess whether disclosure is required and as part of this, when circumstances require, consider whether it is necessary to call a trading halt;
 - (B) consult the Chairperson and, as necessary other Directors and advisers (including the ASX);
 - (C) inform the Managing Director (or Chief Executive Officer);
 - (D) prepare a market release for submission to the ASX and have this reviewed and approved by the Chairperson and the Managing Director (or Chief Executive Officer), or if one of them is not available, another Director in their place;
 - (E) forward the release to the ASX once appropriate approval for the release has been obtained; and
 - (F) post the market release on the Company's website once confirmation is received from the ASX that it has been released to the market.

Corporate Governance Charter

- (4) Prior to each meeting of the Board, the Chairperson, Managing Director (or Chief Executive Officer) and Company Secretary should contact the executive members of the Reporting Group to confirm that there is no material requiring disclosure.
- (5) The Board papers for each meeting should include an agenda item entitled "Continuous Disclosure". In this item, the Chairperson, Managing Director or Chief Executive Officer and Company Secretary should either:
 - (A) confirm that there was no material brought to his or her attention requiring disclosure for the preceding month; or
 - (B) outline material which has been disclosed.

(l) **Company spokespersons**

To maintain control over disclosures, only the following persons will be authorised to speak on the Company's behalf to analysts, brokers and institutional investors, and to respond generally to shareholder queries:

- (1) Chairperson;
- (2) Managing Director (or Chief Executive Officer);
- (3) Chief Financial Officer;
- (4) Company Secretary; and
- (5) where appropriate, non-executive Directors nominated by the Chairperson.

To safeguard against inadvertent disclosure of non-public information to brokers, investors, analysts and institutions prior to it being disclosed to the ASX, the spokesperson must make contact with the Chairperson, Managing Director (or Chief Executive Officer) and Company Secretary prior to making contact with these persons in order that they can be briefed on what has been disclosed by the Company to the ASX.

Any person speaking on behalf of the Company should only discuss information that has been released to the ASX or is not of a material nature. They should decline to respond, or take on notice, any question the answer to which would require disclosure of material information until the information has been disclosed to the ASX.

(m) **Discussions with analysts or investors**

The following guidelines apply in relation to briefings or other conferences with analysts or investors:

- (1) information which is, or may be market sensitive, that has not been announced to ASX and the market must not be disclosed at these briefings, either verbally or in writing;
- (2) the Company will not selectively release information to any investor, analyst or journalist and all employees involved in conducting briefings or attending conferences shall take appropriate steps to ensure that no selective information release occurs;
- (3) if a question raised during the briefing or conference can only be answered by disclosing market sensitive information which has not previously been

Corporate Governance Charter

disclosed to ASX, the employee must decline to answer the question and take the question on notice;

- (4) a review of the content of briefings and discussions with analysts shall be undertaken promptly after the briefing or discussion by an employee of the Company or Director who was present, to check if any market sensitive information that was not previously disclosed may have been inadvertently disclosed;
- (5) if an employee of the Company or a Director present at a briefing or a conference considers that market sensitive information that was not previously disclosed may have been inadvertently disclosed during the briefing, he or she must immediately notify a member of the Reporting Group; and
- (6) a copy of all presentation material will be disclosed through ASX prior to the briefing and placed on the Company's website after the briefing.

(n) **Authorising disclosures in advance**

Again, to avoid an inadvertent breach of the continuous disclosure obligations, materials to be presented and issues to be discussed at any external presentation must be discussed with the Chairperson, Managing Director (or Chief Executive Officer) and Company Secretary prior to the presentation in order that the presenter can confirm that no non-public material information is being disclosed.

(o) **Maintenance of released material**

The Company Secretary will maintain a register of information disclosed to the ASX.

(p) **Company website**

Information released to the ASX should also be disclosed on the Company's website. In addition, it is good practice to include on the Company's website other materials presented to analysts and institutions.

(q) **Handling rumours, leaks and inadvertent disclosures**

It should be noted that any unauthorised leak of information may place the Company in breach of the Listing Rules and could expose persons to allegations of insider trading.

If external contact is made seeking clarification of a rumour in the market place, the inquiry should be referred to the Chairperson, Managing Director (or Chief Executive Officer) and Company Secretary. The recommended response to such inquiries is that "the Company does not respond to market rumours". Consideration will then be given by the Chairperson, Managing Director (or Chief Executive Officer) and Company Secretary as to whether a public announcement is required.

The Reporting Group should notify the Chairperson, Managing Director (or Chief Executive Officer) and Company Secretary of any unauthorised disclosure of information (even if not regarded as publicly sensitive). Consideration will then be given to the need to make disclosure to the ASX.

(r) **Reviewing discussions**

To ensure no price sensitive material has been inadvertently disclosed, the Chairperson, Managing Director (or Chief Executive Officer) and Company Secretary should be kept apprised of the contents of any substantive contact with analysts, brokers and institutional investors.

Corporate Governance Charter

(s) **Draft reports**

Typically, analysts will seek to obtain a review of draft analyst reports from the Chief Financial Officer (or Chief Executive Officer). It is permissible to comment on errors in factual information and underlying assumptions, but comment on price sensitive information should be avoided. In addition any response should be given in a way that avoids suggesting that the Company's or the market's projections are incorrect.

Corporate Governance Charter

Section 8 Diversity Policy

8.1 General purpose and principle

- (a) The Company respects and values the competitive advantage of Diversity (which includes but is not limited to gender, age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity), and the benefit of its integration throughout the Company to enrich the Company's perspective, improve corporate performance, increase shareholder value and maximise the probability of achievement of the Company's goals. The Company acknowledges that Diversity is important to the Company's ability to attract, retain and motivate employees from the widest possible pool of available talent and the Company is committed to Diversity at all levels (**Principle**).
- (b) In furtherance of the Company's commitment to the Principle, the Board wishes to give effect to recommendation 1.5 of the Corporate Governance Principles and Recommendations. The Company will in broad terms put the Principle into practice in the following manner:
 - (1) strategically and operationally, by:
 - (A) being attuned to diverse strategies to deliver the Company's objectives with respect to Diversity;
 - (B) being attuned to diverse corporate, business and market opportunities; and
 - (C) being attuned to diverse tactics and means to achieve those strategies in (A) and to take advantage of those opportunities in (B) above;
 - (2) through management, by:
 - (A) adding to, nurturing and developing the collective relevant skills, and diverse experience and attributes of personnel within the Company; and
 - (B) ensuring that the Company's culture and management systems are aligned with and promote the attainment of the Principle.
- (c) In addition, the Company will put the Principle into practice in the following specific ways:
 - (1) the Company will ensure that recruitment and selection practices at all levels are appropriately structured so that a diverse range of candidates are considered and that there are no conscious or unconscious biases that might discriminate against certain candidates. To hire the best person for the job, there needs to be a consideration of a broad and diverse pool of talent;
 - (2) the Company will identify, implement and develop strategies, initiatives and programs to develop a broader and more diverse pool of skilled and experienced employees with a view to preparing those employees over time, for senior management positions and to increase the representation of women in management roles;
 - (3) the Company will not tolerate discrimination, harassment, vilification or victimisation of any employee of the Company or group member;

Corporate Governance Charter

- (4) the Company will foster an inclusive culture, involving both women and men and Diversity at all levels of the organisation; and
- (5) the Company will ensure equal pay for equal work across its workforce, with strategies in place to manage pay equity.
- (d) Management will monitor, review and report to the Board (including via the Corporate Governance Committee) on the achievement of Diversity with respect to the matters referred to in paragraph 8.1(b)(2)(B), the Company's progress under this Policy.

8.2 Responsibility for Policy

Although the Board retains ultimate accountability for this Policy, the Board has delegated responsibility for implementation of this Policy to the Nominations Committee.

8.3 Measurable objectives, targets and key performance indicators - gender diversity

With respect to gender diversity, Management will:

- (a) develop, for approval by the Board (or the Nominations Committee), as appropriate:
 - (1) measurable objectives for achieving gender diversity including concerning the strategies, initiatives and programs referred to in subclause 8.1(c); and
 - (2) targets or KPI's to verify progress towards attainment of those measurable objectives;
- (b) measure performance against those targets and KPI's; and
- (c) report from time to time (at least annually) on the measurable objectives and the progress of the matters referred to in paragraphs 8.3(a) and 8.3(b) above.

8.4 Compliance requirements

- (a) The Company will meet its obligations with respect to the issue of Diversity, as required under the Corporate Governance Principles and Recommendations and other regulatory requirements (if any), including by:
 - (1) establishing this Policy as a compliant policy under recommendation 1.5 of the Corporate Governance Principles and Recommendations by:
 - (A) establishing measurable objectives for achieving gender diversity. This may include setting specific numerical targets for the proportion of women employed by the Company in senior executive roles and on the Board; and
 - (B) the Board assessing annually the measurable objectives for achieving gender diversity and the progress towards achieving them;
 - (2) disclosing this Policy or a summary of it on the Company's website; and
 - (3) disclosing at the end of each reporting period:
 - (A) the measurable objectives for achieving gender diversity set by the Board in the terms of this Policy;
 - (B) the progress from time to time towards achieving the measurable objectives; and

Corporate Governance Charter

- (C) the respective proportions of men and women in the Company in the following positions:
 - (i) employees;
 - (ii) senior executives (including how the Company has defined “senior executive” for this purpose);
 - (iii) Directors; and
 - (iv) across the whole Company.
- (b) The Company Secretary will assume line responsibility to ensure that the Company meets its compliance and reporting obligations referred to in this clause 8.4, including by collecting and collating all relevant data and ensuring that management processes and systems are adequate and effective for such reporting obligations to be met.

8.5 Communication

The Company commits to the communication of this Policy within the Company and to its shareholders and the market, including via its website:

- (a) by way of transparency and accountability; and
- (b) to better promote the prospects of attainment of the Principle.

8.6 Accountability

- (a) Reporting and accountability in the terms of this Policy will be a periodic item on the Board Agenda.
- (b) At least annually the Nominations Committee will report to the Board on progress towards attainment of the Principle, and otherwise to facilitate the Board in meeting its Compliance Requirements under clause 8.4.

8.7 Addenda to this Policy

The following constitute addenda to this Policy (as they are adopted by the Board from time to time) as if set out in this Policy:

- (a) approved strategies, initiatives and programs and measurable objectives referred to in subclause 8.1(c); and
- (b) approved measurable objectives, targets and KPI's referred to in clause 8.3 as may apply from time to time.

8.8 Overriding caveat

Nothing in this Policy shall be interpreted so as to endorse any of the following matters:

- (a) the principal criteria for selection and promotion of people to work within the Company being other than their overall relative prospect of adding value to the Company and enhancing the probability of achievement of the Company's objectives, taking into account matters such as the nature of the industry in which the Company operates;
- (b) any discriminatory behaviour by or within the Company contrary to the law, or any applicable codes of conduct or behaviour for the Company and its personnel; and

Corporate Governance Charter

- (c) any existing person within the Company in any way feeling threatened or prejudiced by this Policy in their career development or otherwise, merely because their diversity attributes at any time may be more, rather than less, common with others.

Corporate Governance Charter

Section 9 Trading Policy

1.1 Purpose of this policy

- (a) This trading policy (**Policy**) is intended to ensure that persons who are discharging managerial responsibilities including but not limited to Directors, do not abuse, and do not place themselves under suspicion of abusing Inside Information that they may be thought to have, especially in periods leading up to an announcement of the Company.
- (b) The Policy sets out the procedure for trading in Securities of the Company and aims to provide Directors and Employees and any other persons who may be associated with the Company, with guidance on how and when trades in the Company's Securities may take place and when trading of the Company's Securities is strictly prohibited.
- (c) For the avoidance of doubt, nothing in this Policy sanctions a breach of the market misconduct or insider trading provisions of the Corporations Act. A person who possesses Inside Information about an entity's securities is generally prohibited from trading in those securities under the insider trading provisions of the Corporations Act and this applies even where the trade occurs as permitted within the operation of this policy.
- (d) References to the Company in this Policy are references to the Company and its subsidiaries.
- (e) Defined terms are set out in clause 18 of this Policy.

1.2 Who this policy applies to

This policy applies to Restricted Persons.

1.3 Dealing by Restricted Persons

- (a) A Restricted Person must not Deal in any Securities of the Company unless:
 - (1) a clearance to Deal is obtained in accordance with clause 1.4 of this Policy; or
 - (2) the Dealing is an Excluded Dealing.
- (b) Notwithstanding that a clearance to Deal may be granted by the Company (even in exceptional circumstances) or that a Dealing may be an Excluded Dealing, a Restricted Person must not Deal in Company Securities where clauses 1.7 (Inside Information), 1.14 (short-term selling), 1.15 (short selling) and 1.16 (hedging transactions) of this Policy are applicable.

1.4 Clearance to Deal

- (a) All Restricted Persons (except those who are Directors, the Chief Executive Officer or the Company Secretary) must not Deal in any Securities of the Company (unless the Dealing is an Excluded Dealing) without first notifying the Company Secretary and a Director designated by the Board for this purpose and receiving clearance to Deal from the designated Director or the Company Secretary.
- (b) A Director (other than the Chairperson or a Managing Director) must not Deal in any Securities of the Company (unless the Dealing is an Excluded Dealing) without first notifying the Chairperson (or a Director designated by the Board for this purpose) and the Company Secretary and receiving clearance to Deal from the Chairperson (or the designated Director) (or the Company Secretary on their behalf).

Corporate Governance Charter

- (c) The Chairperson must not Deal in any Securities of the Company (unless the Dealing is an Excluded Dealing) without first notifying the Managing Director (or Chief Executive Officer) and the Company Secretary and receiving clearance to Deal from the Managing Director (or Chief Executive Officer) (or the Company Secretary on their behalf) or, if the Managing Director (or Chief Executive Officer) is not readily available, without first notifying a senior independent Director, a committee of the Board established for that purpose or another officer of the Company nominated for that purpose by the Managing Director (or Chief Executive Officer), and receiving clearance to Deal from that Director, committee or officer (or the Company Secretary on their behalf).
- (d) The Managing Director (or Chief Executive Officer) must not Deal in any Securities of the Company (unless the Dealing is an Excluded Dealing) without first notifying the Chairperson and the Company Secretary and receiving clearance to Deal from the Chairperson (or the Company Secretary on their behalf) or, if the Chairperson is not readily available, without first notifying the senior independent Director, a committee of the Board established for that purpose or another officer of the Company nominated for that purpose by the Chairperson, and receiving clearance to Deal from that Director, committee or officer (or the Company Secretary on their behalf).
- (e) If the role of Chairperson and Managing Director (or Chief Executive Officer) are combined, that person must not Deal in any Securities of the Company (unless the Dealing is an Excluded Dealing) without first notifying the Board and the Company Secretary and receiving clearance to Deal from the Board (or the Company Secretary on its behalf).
- (f) The Company Secretary must not Deal in any Securities of the Company (unless the Dealing is an Excluded Dealing) without first notifying the Chairperson and receiving clearance to Deal from the Chairperson (or another officer of the Company nominated for that purpose by the Chairperson) or if the Chairperson is not readily available, without first notifying the senior independent Director, a committee of the Board established for that purpose or another officer of the Company nominated for that purpose by the Chairperson, and receiving clearance to Deal from that Director, committee or officer.
- (g) The Company reserves the right of a Clearance Officer to:
 - (1) give or refuse a request for a clearance to Deal at its sole discretion and without giving any reasons; or
 - (2) withdraw a clearance to Deal if there is a change in circumstances or new information becomes available.
- (h) A response to a request for a clearance to Deal must be given to the relevant Restricted Person within two Business Days of the request being made.
- (i) The Company must maintain a record of the response to a request for a clearance to Deal made by a Restricted Person and of any clearance given. A copy of the response and clearance (if any) must be given to the Restricted Person concerned.
- (j) A Restricted Person who is given a clearance to Deal in accordance with this clause 1.4 must deal as soon as possible in any event within five Business Days of clearance being received by the Restricted Person.
- (k) The grant of a clearance to Deal by the Company is not an endorsement of the Dealing by the Company. The person seeking the clearance to Deal is solely responsible for the investment decision to Deal in Securities in the Company and compliance with insider trading laws.

Corporate Governance Charter

- (l) The grant of a clearance to Deal by the Company does not relieve a Restricted Person from their legal obligations under the insider trading provisions of the Corporations Act. The person granted the clearance to Deal should carefully consider whether or not they are in possession of Inside Information that might preclude them from trading in those Securities and if they are in possession of Inside Information (including if they come into possession of Inside Information after obtaining a clearance to Deal), then they must not trade despite having received the clearance.
- (m) Before a Restricted Person Deals in the Company's Securities (even if it is an Excluded Dealing), they should consider carefully whether they are in possession of any Inside Information that might preclude them from trading at that time and, if in any doubt, they should not trade.
- (n) A refusal by a Clearance Officer to give a clearance to Deal is final and binding on the person seeking the clearance.
- (o) Where the Company refuses to give a clearance to Deal, this information is confidential between the Company and the person seeking the clearance and must not be disclosed to any other person.

1.5 Circumstances for refusal

A Restricted Person must not be given clearance to Deal in any Securities of the Company during a Prohibited Period unless an exceptional circumstance arises in accordance with clause 1.6 of this Policy.

1.6 Dealing in exceptional circumstances

- (a) A Restricted Person, who is not in possession of Inside Information in relation to the Company, may be given clearance to Deal during a Prohibited Period if that person is in severe financial difficulty or there are other exceptional circumstances. Clearance may be given for such a person to sell (but not purchase) Securities of the Company when that person would otherwise be prohibited by this Policy from doing so. The determination of whether the person in question is in severe financial difficulty or whether there are other exceptional circumstances can only be made by the Clearance Officer designated by the Board for this purpose under clause 1.4.
- (b) A person may be in severe financial difficulty if that person has a pressing financial commitment that cannot be satisfied otherwise than by selling the relevant Securities of the Company. A liability of a person to pay tax would not normally constitute severe financial difficulty unless the person has no other means of satisfying the liability. A circumstance will be considered exceptional if the person in question is required by a court order to transfer or sell the Securities of the Company or there is some other overriding legal requirement to do so.
- (c) If required by the Listing Rules, the Company should consult the ASX at an early stage regarding any application by a Restricted Person to deal in exceptional circumstances.

1.7 Prohibition on Insider Trading

No Restricted Person may Deal in Company Securities at any time (including a Prohibited Period), if that person is or could reasonably be expected to be in possession of Inside Information.

1.8 Communicating Information

A Restricted Person in possession of Inside Information must not, directly or indirectly, communicate the information, or cause the Inside Information to be communicated, to another

Corporate Governance Charter

person if the Restricted Person knows, or ought reasonably to know, that the other person would be likely to Deal in the Company's Securities.

A Restricted Person must not, directly or indirectly, communicate information relating to the Company by way of electronic means or social media sites, including but not restricted to, e-mails, twitter, Hot Copper and Facebook.

1.9 Dealing by persons and entities associated with Restricted Persons

- (a) A Restricted Person must take all reasonable steps to prevent an Associate, Related Person or Related Entity of the Restricted Person from Dealing in the Company's Securities during a Prohibited Period.
- (b) A Restricted Person must take reasonable steps to advise any Associate, Related Person or Related Entity of the Restricted Person that:
 - (1) they are a Restricted Person of the Company; and
 - (2) of the Prohibited Periods during which the Associate, Related Person or Related Entity cannot Deal in the Company's Securities.
- (c) A Restricted Person must immediately notify a Clearance Officer if he or she becomes aware of or suspects an Associate, Related Person or Related Entity of Dealing in the Company's Securities during a Prohibited Period.

1.10 Disclosure of Dealings by Directors and substantial shareholders

- (a) In accordance with section 250G of the Corporations Act and ASX Listing Rule 3.19A, Directors must notify ASX of any Dealings (whether in a Prohibited Period or otherwise) in the Company's Securities within five Business Days of such Dealing.
- (b) To the extent required to do so under the Listing Rules, the Company will disclose to the market when a Restricted Person has been given a clearance to Deal during a Prohibited Period.
- (c) In accordance with section 671B of the Corporations Act, a Restricted Person must notify the Company and ASX if he or she:
 - (1) has obtained a Substantial Holding in the Company;
 - (2) already holds a Substantial Holding - if he or she increases or decreases that Substantial Holding by at least 1%; or
 - (3) ceases to hold a Substantial Holding,such notice to be provided within two Business Days of becoming aware of that information.

1.11 Dealings in Securities of other companies

- (a) A Restricted Person who has Inside Information about another Third Party Listed Entity as a result of his or her position in the Company is prohibited from:
 - (1) dealing in any Securities of that Third Party Listed Entity unless a clearance to Deal is obtained in accordance with clause 1.4 of this Policy; or
 - (2) communicating the Inside Information.

Corporate Governance Charter

Examples (without being exhaustive) of how Inside Information about a Third Party Listed Entity may be obtained are as follows:

- (1) during the course of a proposed transaction;
- (2) during the course of due diligence investigations;
- (3) Board deliberations;
- (4) negotiations; or
- (5) information provided by others during the ordinary course of business.

1.12 Penalties

- (a) There are penalties under the Corporations Act for a breach of Insider Trading provisions under the Corporations Act. As at the date of adoption of this Policy, the maximum penalties under the Corporations Act are:
 - (1) in the case of a natural person imprisonment of ten years or a fine the higher of:
 - (A) 4,500 penalty units (\$810,000 as at the date of adoption of this Policy); and
 - (B) if the Court can determine the total value of the benefits the person obtained, which are reasonably attributable to the commission of the offence - three times that total value;
 - (2) in the case of a body corporate, a fine the greatest of the following:
 - (A) 45,000 penalty units (\$8.1 million as at the date of adoption of this Policy);
 - (B) if the Court can determine the total value of the benefits that have been obtained and are reasonably attributable to the commission of the offence - three times that total value; and
 - (C) if the Court cannot determine the total value of those benefits - 10% of the body corporate's annual turnover during the 12 month period ending at the end of the month in which the body corporate committed, or began committing, the offence; and
 - (3) unlimited civil penalties.
- (b) A breach of this Policy will also be regarded as serious misconduct which may lead to disciplinary action, up to and including dismissal.

1.13 Policy on Margin Loan Arrangements

- (a) A Restricted Person may enter into a margin loan or similar funding arrangement in respect of any Company Securities (**Funding Arrangements**) but must disclose the existence, nature and terms of the Funding Arrangements to a Clearance Officer who will notify the Board.
- (b) The Company and its Board will disclose any Funding Arrangements which would require disclosure under Listing Rule 3.1.

Corporate Governance Charter

- (c) Without limiting subclause (b), where a Restricted Person's Funding Arrangement involves 5% or more of the Company's shares, the Board and Company Secretary will make appropriate disclosure to the market of any key terms of the Funding Arrangements.

1.14 Policy on Short Selling

A Restricted Person must not Deal in any Securities of the Company where the Dealing involves the short selling of Securities in the Company.

1.15 Hedging Transactions

The Corporations Act prohibits Key Management Personnel and a closely related party of Key Management Personnel from entering into an arrangement if the arrangement would have the effect of limiting the exposure of the member to risk relating to an element of the members remuneration that has not vested or has vested but remains subject to a holding lock. Key Management Personnel of the Company and their closely related parties should not Deal in Securities in the Company which may infringe this prohibition under the Corporations Act nor should any other Restricted Person enter into hedging transactions to limit his or her exposure in respect of any unvested entitlement to Securities he or she receives under any equity based remuneration scheme of the Company.

1.16 What is Inside Information?

Inside Information is Information that is not Generally Available and, if it were Generally Available, a reasonable person would expect it to have a Material Effect on either the price or the value of the Company's Securities.

1.17 When is Information Generally Available?

Information is Generally Available if:

- (a) it consists of readily observable matter;
- (b) where the Information has been made known in a manner that would, or would be likely to, bring it to the attention of persons who commonly invest in Securities, a reasonable period for it to be disseminated among such persons has elapsed (for example, it has been released to the ASX or published in an annual report or prospectus); or
- (c) it may be deduced, inferred or concluded from the Information referred to above.

1.18 What is a Material Effect?

- (a) Material Effect, in relation to Inside Information, is where that Information would, or would be likely to, influence persons who commonly acquire Securities in deciding whether or not to acquire or dispose of Securities of that nature.
- (b) Examples of information, that may have a Material Effect on the price or value of Securities when it becomes Generally Available, include:
 - (1) revenue;
 - (2) profit forecasts;
 - (3) inventory levels;
 - (4) forecasts;

Corporate Governance Charter

- (5) items of major capital expenditure;
- (6) borrowings;
- (7) liquidity and cashflow information;
- (8) management restructuring;
- (9) changes in distribution arrangements;
- (10) litigation;
- (11) impending mergers and acquisitions, reconstructions or takeovers;
- (12) major asset purchases or sales;
- (13) exploration results; or
- (14) new product and technology.

1.19 What is Dealing in Securities?

Dealing in Securities means:

- (a) applying for, acquiring or disposing of Securities;
- (b) entering into an agreement to apply for, acquire or dispose of Securities; or
- (c) Procuring another person to:
 - (1) apply for, acquire or dispose of Securities; or
 - (2) enter into an agreement to apply for, acquire or dispose of Securities.

1.20 Definitions

Associate has the same meaning as set out in the Corporations Act.

ASX means the Australian Securities Exchange owned and operated by ASX Limited.

Blackout Period means:

Section 1 the period from the end of each quarter (June 30, September 30, December 31 and March 31) until the end of trading on the day of lodgement of the Company's quarterly cash flow Report (Appendix 5B) for that quarter with the ASX, AND any period determined by the Directors in their absolute discretion.

- (a)
- (b) the period commencing from the release of information to the ASX which a reasonable person would expect to have a Material Effect on either the price or the value of the Company's Securities and ending 24 hours after the release of such information to the ASX; and
- (c) any other period determined by the Directors in their absolute discretion.

Corporate Governance Charter

Board means board of Directors.

Business Day means a day, other than a Saturday or Sunday, on which banks are open for general banking business in Brisbane.

Clearance Officer means:

- (a) the Company Secretary;
- (b) the Chairperson;
- (c) the Managing Director or Chief Executive Officer; or
- (d) a Director designated by the Board for the purposes of clause 1.4.

Dealing has the meaning set out in clause 1.20 of this Policy.

Director means a director of the Company.

Employee means an individual who works for the Company (or its subsidiary) under a contract of employment.

Excluded Dealings means:

- (a) dealing where the beneficial interest in the relevant Security does not change;
- (b) transfers of Securities in the Company between a Restricted Person and someone closely related to the Restricted Person (such as a spouse, minor child, family company, family trust or superannuation fund) or by a Restricted Person to their superannuation fund, in respect of which prior clearance has been provided in accordance with this Policy;
- (c) if the Restricted Person is a trustee of a trust but is not a beneficiary of the trust, trading in the Company's Securities by that trust provided any decision to trade during a Blackout Period is taken by the other trustees or investment manager independently of the Restricted Person;
- (d) the exercise of an option or right under an incentive scheme or the conversion of a convertible security, where the final date for the exercise or conversion falls during a Blackout Period and the Restricted Person could not reasonably have been expected to exercise or convert the Security at a time when it was entitled to, due to the Company having an exceptionally long Blackout Period or a number of consecutive Blackout Periods;
- (e) bona fide gifts to a Restricted Person by a third party.
- (f) a disposal of Securities arising from the acceptance of a takeover offer, scheme of arrangement or equal access buy-back;
- (g) a disposal of rights acquired or an acquisition of Securities in the Company under a pro rata issue;
- (h) an acquisition of Securities in the Company under a security purchase plan or a dividend or distribution reinvestment plan where:
 - (1) the Restricted Person did not commence or amend their participation in the plan during a Blackout Period; and

Corporate Governance Charter

- (2) the Policy does not permit the Restricted Person to withdraw from the plan during a Blackout Period other than in exceptional circumstances;
- (i) the obtaining by a Director of a share qualification;
- (j) acquiring Securities in the Company under an employee incentive scheme or the cancellation or surrender of an option or other right under an employee incentive scheme;
- (k) where a Restricted Person is the trustee of an employee incentive scheme, an acquisition of Securities in the Company by the Restricted Person in his or her capacity as a trustee of the scheme;
- (l) an acquisition or disposal of Securities in the Company under a pre-determined investment or divestment plan for which prior clearance has been provided in accordance with the Policy and where:
 - (1) the Restricted Person did not enter into or amend the plan during a Prohibited Period;
 - (2) the plan does not permit the Restricted Person to exercise any discretion over how, when, or whether to acquire or dispose of Securities; and
 - (3) the Policy does not allow for the cancellation of the plan during a Blackout Period other than in exceptional circumstances;
- (m) indirect and incidental trading that occurs as a consequence of a Restricted Person dealing in Securities issued by a managed investment scheme, listed investment company, exchange-traded fund or similar investment vehicle that is managed by a third party and that happens to hold as part of its portfolio Securities in the Company; and
- (n) an involuntary disposal of Securities in the Company that results from a margin lender or financier exercising its rights under the arrangement.

Generally Available has the meaning given in clause 1.18 of this Policy.

Information includes:

- (a) matters of supposition and other matters that are insufficiently definite to warrant being made to the public; and
- (b) matters relating to the intentions, or likely intentions, of a person.

Inside Information has the meaning given in clause 1.17 of this Policy.

Key Management Personnel has the definition given in the Accounting Standard AASB 124 *Related Party Disclosure* as 'those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of that entity'.

Listing Rules means the Official Listing Rules of the ASX as amended or replaced from time to time.

Material Effect has the meaning given in clause 1.19 of this Policy.

Procuring means to incite, induce or encourage an act or omission by another person.

Corporate Governance Charter

Prohibited Period means:

- (a) any Blackout Period; or
- (b) any period where any matter exists which could constitute Inside Information in relation to the Company.

Restricted Person means:

- (a) any persons or entities discharging managerial responsibilities for the Company including, but not limited to:
 - (1) the Directors;
 - (2) the Company Secretary;
 - (3) Key Management Personnel;
 - (4) any Employee, contractor or consultant who provides managerial or administrative services to the Company; or
 - (5) any Employee who, depending on their individual circumstances, Managing Director (or Chief Executive Officer) specifies from time to time to be a Restricted Person;
- (b) other persons specified from time to time by the Managing Director (or Chief Executive Officer); or
- (c) any Related Person or Related Entity (or an Associate of a Related Person or Related Entity) of a person referred in paragraphs (1) and (b) above.

Related Entity of a Restricted Party means an entity which:

- (a) the Restricted Person is a director or secretary of; or
- (b) the Restricted Person otherwise controls or has a position of influence.

Related Person of a Restricted Party means a parent, spouse or child of the Restricted Party.

Securities means:

- (a) shares;
- (b) debentures;
- (c) legal or equitable interests in a security covered by paragraph (a) or paragraph (b) above;
- (d) options to acquire, by way of issue, a security covered by paragraph (a) or paragraph (b) above; and
- (e) rights (whether existing or future and whether contingent or not) to acquire, by way of issue, the following under a rights issue:
 - (1) a security covered by paragraph (a) or paragraph (b) above; or

Corporate Governance Charter

- (2) an interest or right covered by section 764A(1)(b) or section 764A(1)(ba) of the Corporations Act.

Substantial Holding has the meaning given in section 9 of the Corporations Act (which, at the date of adoption of this Policy, includes where a person or entity (and their associates) has total votes attached to voting shares in the Company representing 5% or more of the total number of votes attaching to voting shares in the Company).

Third Party Listed Entity means any company, other than the Company, which is listed on the ASX or other recognised exchange or otherwise has Securities which are traded in an open market.

APPENDIX "G"
INFORMATION CONCERNING METALLICA FOLLOWING THE ARRANGEMENT

TABLE OF CONTENTS

INTRODUCTION	2
GLOSSARY OF TERMS.....	2
CORPORATE STRUCTURE	2
NAME AND INCORPORATION	2
DESCRIPTION OF THE BUSINESS OF THE COMBINED COMPANY	3
MINERAL PROPERTIES	3
DESCRIPTION OF THE COMBINED COMPANY'S SECURITIES	4
PRO FORMA CONSOLIDATED CAPITALIZATION	4
SELECTED UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION	5
DIVIDENDS.....	6
ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER.....	6
PRINCIPAL SECURITYHOLDERS	6
DIRECTORS AND EXECUTIVE OFFICERS OF THE COMBINED COMPANY	7
EXECUTIVE OFFICERS	7
DIRECTORS.....	7
EXECUTIVE COMPENSATION.....	7
COMPENSATION OF DIRECTORS	7
STOCK EXCHANGE LISTING.....	8
AUDIT COMMITTEE AND CORPORATE GOVERNANCE	8
RISK FACTORS	8
AUDITOR	8
REGISTRAR AND TRANSFER AGENT	8

INTRODUCTION

This Appendix "G" is a summary of the Combined Company, its business, assets and operations, which should be read together with the more detailed information and financial data and statements contained elsewhere in this Circular to which this Appendix "G" is attached. The information contained in this Appendix "G" – *"Information Concerning Metallica Following the Arrangement"*, unless otherwise indicated is given as at the Record Date.

GLOSSARY OF TERMS

Certain terms used in this Appendix "G" shall have the meaning ascribed in the following *"Glossary of Terms"*. All other capitalized terms used herein and not defined below shall have the meanings ascribed thereto in the section *"Glossary of Terms"* in the Circular to which this Appendix "G" is attached.

"Combined Company" means Metallica, following completion of the Plan of Arrangement;

"Combined Company Share" means a Metallica Share, following completion of the Plan of Arrangement;

"Listed Metallica Options" has the meaning ascribed to such term in Appendix "F";

"Metallica Options" has the meaning ascribed to such term in Appendix "F";

"Metallica Replacement Option" means a Metallica Option, following completion of the Plan of Arrangement;

"Metallica Replacement Warrant" means a Metallica Option, following completion of the Plan of Arrangement;

"Metallica Rights" has the meaning ascribed to such term in Appendix "F";

"Urquhart Bauxite Project" has the meaning ascribed to such term in Appendix "F".

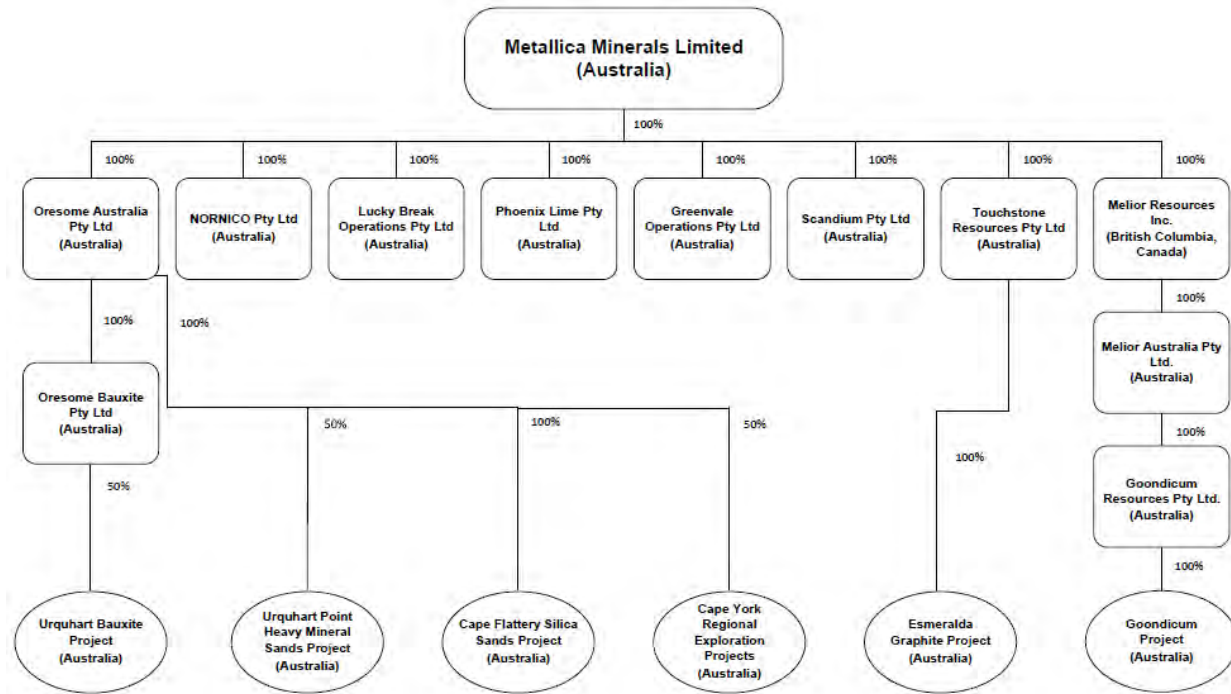
CORPORATE STRUCTURE

Name and Incorporation

On completion of the Arrangement, the Combined Company will continue the current operations of Melior and Metallica on a combined basis, and will continue as a corporation existing under the Corporations Act (Australia). Immediately following the Effective Time: (a) the Combined Company will own, directly and indirectly, all issued and outstanding Melior Shares; (b) all securities of Melior that are exercisable or convertible into Melior Shares will be cancelled or exchanged for equivalent securities of Metallica; and (c) Melior will be a wholly-owned subsidiary of Metallica.

The Combined Company's head and registered offices are expected to be located at Ground Floor, 71 Lytton Road, East Brisbane, Queensland 4169.

The following diagram sets forth the corporate structure of the Combined Company following the Arrangement:



DESCRIPTION OF THE BUSINESS OF THE COMBINED COMPANY

On completion of the Arrangement, the Combined Company will carry on the business currently operated by Metallica and Melior on a combined basis, and its efforts will be directed at bringing the Goondicum project into commercial production, extracting maximum value from the Metallica asset portfolio, along with the identification, acquisition, evaluation and exploration of mineral properties in Australia and elsewhere. See Appendix "F" for a discussion of Metallica's business. See Melior's issuer profile on SEDAR at www.sedar.com for information concerning Melior's business.

The Combined Company's portfolio of assets will include:

1. the Goondicum Project;
2. the Urquhart Bauxite Project;
3. the Urquhart Point Heavy Mineral Sands Project;
4. the Cape Flattery Silica Sands Project;
5. the Esmeralda Graphite Project; and
6. the Cape York Regional Exploration Projects.

Mineral Properties

Information regarding the mineral properties of Metallica, including the Urquhart Bauxite Project, the Urquhart Point Heavy Mineral Sands Project, the Cape Flattery Silica Sands Project, the Esmeralda Graphite Project and the Cape York Regional Exploration Projects can be found in Appendix "F" to this Circular under the heading "Urquhart Bauxite Project" and "Other Mineral Projects".

Information regarding the Goondicum Project can be found under Melior's issuer profile on SEDAR at www.sedar.com and the technical report for the Goondicum Project titled "*Preliminary Economic Assessment, Goondicum 2018 prepared for Melior Resources Inc.*" dated April 20, 2018 with an effective date of December 16, 2017 prepared by Steven Gilman, BAppSc (Extractive Metallurgy), FAusIMM(CP), SME, Principal Consultant of TZ Minerals International Pty Ltd.

Following completion of the Arrangement, the material mineral project of the Combined Company will be the Urquhart Bauxite Project and the Goondicum Project.

DESCRIPTION OF THE COMBINED COMPANY'S SECURITIES

The Combined Company will not have a limited amount of authorized capital and the rights associated with each Combined Company Share after completion of the Arrangement will be the same as the rights associated with each Metallica Share as at the date hereof. See "*Description of Metallica's Securities*" in Appendix "F".

Based on *pro forma* figures as of the date hereof, after giving effect to the Arrangement, it is anticipated that there will be:

- 902,046,668 Combined Company Shares issued and outstanding;
- 7,000,000 Metallica Rights issued and outstanding;
- 1,000,000 Metallica Options issued and outstanding;
- 4,874,750 Metallica Replacement Warrants to acquire 97,495,000 Combined Company Shares; and
- 1,866,666 Metallica Replacement Options to acquire 37,333,320 Combined Company Shares issued and outstanding.

See "*Pro Forma Consolidated Capitalization*" of this Appendix "G" below.

PRO FORMA CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Combined Company as of June 30, 2018 and after giving *pro forma* effect to the Arrangement as if it were completed on July 1, 2018:

	As at June 30, 2018 prior to giving effect to the Arrangement (AUS\$'000)	As at July 1, 2018 after giving <i>pro forma</i> effect to the Arrangement ⁽¹⁾ (AUS\$'000)
Share capital	36,422	409,493 ⁽²⁾
Accumulated losses	(34,722)	(558,470)
Reserves	8,325	165,986
Total Equity	10,025	17,009
Current liabilities	444	2,537
Non-current liabilities	-	10,366
Total Liabilities	444	12,902
Total Capitalization	10,469	29,911

Notes:

1. Assumes completion of the Arrangement. Assumes no Dissent Rights are exercised.
2. Share capital calculation assumes, among other things, (i) a share price of AUS\$0.037 per Metallica Share at June 29, 2018, and (ii) an exchange ratio whereby holders of Metallica Shares immediately prior to the Arrangement will hold approximately 36% of the Combined Company Shares and holders of Melior Shares immediately prior to the Arrangement will hold approximately 64% of the Combined Company, following completion of the Arrangement.

The following table provides further details regarding the capitalization of the Combined Company after giving *pro forma* effect to the Arrangement as if it were completed on July 1, 2018:

Designation of Security	Amount Authorized or to be Authorized	As at July 1, 2018 after giving <i>pro forma</i> effect to the Arrangement⁽¹⁾⁽⁵⁾
Combined Company Shares	Unlimited	902,046,668 ⁽²⁾
Metallica Replacement Options	Not applicable	1,866,666 ⁽³⁾ (exercisable for 37,333 320 Metallica Shares)
Metallica Replacement Warrants	Not applicable	4,874,750 ⁽⁴⁾ (exercisable for 97,495,000 Metallica Shares)
Metallica Rights	Not applicable	7,000,000 (exercisable for 7,000,000 Metallica Shares)
Metallica Options	Not applicable	1,000,000 ⁽⁵⁾ (exercisable for 1,000,000 Metallica Shares)

Notes:

1. Assumes completion of the Arrangement. Assumes no Dissent Rights are exercised.
2. Based on there being (i) 322,447,408 Metallica Shares issued and outstanding as of the date hereof, (ii) 28,979,963 Melior Shares held by Melior Shareholders as of the date hereof, entitling each holder thereof to 20 Metallica Shares for each Melior Share held, resulting in the issuance of 579,599,260 Metallica Shares as Share Consideration, and (iii) no Dissent Rights being exercised. This number does not include the Metallica Shares which will vest upon vesting of the issued and outstanding Metallica Performance Rights.
3. Based on there being 1,866,666 Melior Options outstanding as of the date hereof, entitling the holder of each Melior Option to 1 Metallica Replacement Option, each of which is exercisable for 20 Metallica Shares.
4. Based on there being 4,874,750 Melior Warrants outstanding as of the date, entitling the holder of each Melior Warrant to 1 Metallica Replacement Warrant, each of which is exercisable for 20 Metallica Shares.
5. Excludes the 38,000,102 Metallica Options which expired on September 30, 2018.

SELECTED UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following selected unaudited *pro forma* consolidated financial information of the Combined Company following completion of the Arrangement has been derived from the unaudited *pro forma* condensed consolidated financial statements of Metallica after giving effect to the Arrangement, included in Appendix "I" to this Circular. The unaudited *pro forma* consolidated statement of financial position as of June 30, 2018 gives *pro forma* effect to the completion of the Arrangement as if it were completed as at June 30, 2018. The unaudited *pro forma* consolidated statement of operations for the year ended June 30, 2018 gives *pro forma* effect to the completion of the Arrangement as if it were completed on July 1, 2018.

The unaudited *pro forma* condensed consolidated financial statements of the Combined Company following completion of the Arrangement have been compiled from underlying financial statements of Metallica and Melior in accordance with the Australian Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board (which are International Financial Reporting Standards-compliant), to illustrate the effect of the Arrangement. Adjustments have been made to prepare the unaudited *pro forma* condensed consolidated financial statements of the Combined Company, which adjustments are based on certain assumptions. Both the adjustments and the assumptions made in respect thereof are described in the notes to the unaudited *pro forma* condensed consolidated financial statements.

The following selected unaudited *pro forma* financial information and the unaudited *pro forma* condensed consolidated financial statements (included in Appendix "I" to this Circular) are presented for illustrative purposes only and are not necessarily indicative of: (i) the operating or financial results that would have occurred had the Arrangement actually occurred at the dates contemplated by the notes to the unaudited *pro forma* consolidated financial statements; or (ii) of the results expected in future periods. You should read the unaudited *pro forma* condensed consolidated financial information together with (i) Metallica's audited consolidated financial statements for the year ended June 30, 2018, included in Appendix "H" to this Circular; and (ii) the audited consolidated financial statements of Melior for the year ended June 30, 2018 available on SEDAR at www.sedar.com under Melior's profile.

See the unaudited *pro forma* condensed consolidated financial statements of the Combined Company following completion of the Arrangement which gives effect to the Arrangement as set forth in Appendix "I" to this Circular.

(Expressed in AUS\$000's, except for per share data)

	Year ended June 30, 2018
	(AUS\$)
Pro Forma Statement of Operations:	
Revenue	215
Other Income	6,403
Expenses	(10,275)
Profit/(loss) before income tax expense	(3,657)
Profit/(loss) after income tax	(3,657)
Other comprehensive income (expense) for the year, net of tax	(278)
Total Comprehensive Income	(3,935)
Per Metallica Share:	
<i>Pro Forma</i> Basic and Diluted Earnings (Loss) per Share	(0.0041)

(Expressed in AUS \$000's, except for per share data)

	Year Ended June 30, 2018
	(AUS\$)
Pro Forma Statement of Financial Position:	
Total Current Assets	9,936
Total Non-Current Assets	19,975
Total Assets	29,911
Total Current Liabilities	2,537
Total Non-Current Liabilities	10,365
Total Liabilities	12,902
Total Shareholders' Equity	17,009

DIVIDENDS

There will be no restrictions in the Combined Company's constitution or elsewhere, other than customary general solvency requirements, which would prevent the Combined Company from paying dividends following the completion of the Arrangement. For information on Metallica's dividend policy, see "*Dividends or Distributions*" in Appendix "F" to this Circular.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

The Combined Company will not have any securities in escrow or that are subject to a contractual restriction on transfer. See "*Escrowed Securities and Securities Subject to Contractual Restriction on Transfer*" in Appendix "F" to this Circular.

PRINCIPAL SECURITYHOLDERS

To the best of the knowledge of the directors and officers of each of Metallica and Melior, upon completion of the Arrangement, there will be no persons or companies who will beneficially own, directly or indirectly, or exercise control or direction over, shares carrying more than 10% of the voting rights attached to the Combined Company Shares, after giving effect to the Arrangement except as follows:

Name and Municipality of Residence	Type of Ownership	Number of Metallica Shares (#)	Percentage of Metallica Shares owned after Giving Effect to the Arrangement (Undiluted) ⁽¹⁾	Percentage of Metallica Shares owned after Giving Effect to the Arrangement (Fully Diluted) ⁽²⁾
Pala Investments Limited	Direct	264,214,720	29.29%	31.68%

Notes:

1. Based on there being 902,046,668 Metallica Shares issued after giving effect to the Plan of Arrangement. These calculations take into account the 322,447,408 issued and outstanding Metallica Shares as at the date hereof and the 579,599,260 Metallica Shares issuable as Share Consideration pursuant to the Plan of Arrangement.
2. After giving effect to the Plan of Arrangement and on a fully diluted basis, assuming: (i) Pala Investments Limited exercises its 3,341,250 Metallica Replacement Warrants for 66,825,000 Metallica Shares (ii) the exercise of all issued and outstanding Metallica Options in exchange for 1,000,000 Metallica Shares; (iii) the exercise of all issued and outstanding Metallica Replacement Options in exchange for 37,333,320 Metallica Shares; (iv) the exercise of each Metallica Replacement Warrant in exchange for 97,495,000 Metallica Shares; (v) the vesting of all issued and outstanding Metallica Rights, resulting in the vesting of 7,000,000 Metallica Shares; and (vi) no exercise of Dissent Rights. For greater certainty, the fully diluted percentage was calculated based on the assumption there would be 1,044,874,988 Metallica Shares issued on a fully-diluted basis after giving effect to the Arrangement and assuming the exercise or conversion of all securities of Metallica.

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMBINED COMPANY**Executive Officers**

Following the completion of the Arrangement, Mr. Simon Slesarewich will remain the Managing Director, Mr. Mark McCauley will assume the role of Executive Director and Mr. Jon Mattiske will assume the role of CFO and Company Secretary. See "*Directors and Executive Officers*" of Appendix "F" and "*Statement of Executive Compensation*" of this Circular.

Directors

Following the completion of the Arrangement, it is expected that the board of directors of the Combined Company will be certain of the current Metallica Board, to be comprised of: (a) the following 3 directors of Metallica: (i) Mr. Peter Turnbull; (ii) Mr. Simon Slesarewich; and (iii) Mr. Ian Jacobson; and (b) the following 3 nominee directors of Melior: (i) Mr. Mark McCauley; (ii) Mr. Martyn Buttenshaw; and (iii) Mr. George Lloyd (as Chairman). See "*Directors and Executive Officers*" of Appendix "F" and "*Business of the Meeting – Election of Directors*" of this Circular.

Mr. George Lloyd will assume the position of independent, Non-Executive Chairman of the Combined Company and Mr. Simon Slesarewich will retain the position of Managing Director. Mr. Mark McCauley will assume the role of Executive Director.

EXECUTIVE COMPENSATION

Following the completion of the Arrangement, it is expected that the Combined Company will review the policies of Metallica with respect to executive compensation. See Appendix "F" to this Circular under the heading "*Executive Compensation*".

COMPENSATION OF DIRECTORS

Following the completion of the Arrangement, it is expected that the Combined Company will review the policies of Metallica with respect to director compensation. See Appendix "F" to this Circular under the heading "*Executive Compensation*" and "*Compensation of Directors*".

STOCK EXCHANGE LISTING

Following the completion of the Arrangement, it is expected that the Metallica Shares will continue to trade on the ASX. Following the completion of the Arrangement, or as soon as practicable thereafter, it is also expected that the Melior Shares will be delisted from the TSX-V.

AUDIT COMMITTEE AND CORPORATE GOVERNANCE

Following completion of the Arrangement, it is expected that Metallica's Board will continue to fulfil the role of an audit committee and that its corporate governance will remain unchanged. See "*Audit Committee*" and "*Corporate Governance*" in Appendix "F" to this Circular.

RISK FACTORS

Following completion of the Arrangement, it is expected that the risk factors applicable to the Combined Company will be the same as the risk factors currently applicable to Metallica and Melior. See "*Risk Factors*" in Appendix "F" to this Circular and "*Risk Factors*" in the body of this Circular, respectively.

AUDITOR

The current auditor of Metallica is BDO Audit, located at Level 10, 12 Creek Street, Brisbane, Queensland 4000, Australia. Following the completion of the Arrangement and subject to the approval of the holders of Metallica Shares at the Metallica annual general meeting scheduled for November 19, 2018, it is expected that the auditor for the Combined Company will be BDO Audit.

REGISTRAR AND TRANSFER AGENT

Following the completion of the Arrangement, it is expected that the transfer agent and registrar of the Combined Company will continue to be Link Market Services Pty Ltd., which is located at Level 21, 10 Eagle Street, Brisbane, Queensland 4000, Australia, where transfers of securities of Metallica may be recorded

H-1

APPENDIX “H”

2018, 2017 AND 2016 ANNUAL FINANCIAL REPORTS OF METALLICA

(see attached)

Metallica Minerals Limited

ACN 076 696 092

Annual Financial Report - 30 June 2018

Metallica Minerals Limited
Corporate directory
30 June 2018

Directors	P Turnbull - Non-executive Chairman S Slesarewich - Managing Director S Boulton - Non-executive Director I Jacobson - Non-executive Director
Company secretary	J K Haley
Annual General Meeting	The details of the annual general meeting of Metallica Minerals Limited are: HopgoodGanim Level 7, Waterfront Place, 1 Eagle Street Brisbane QLD 4001 [time] am on [day], 19 November 2018
Registered office and principal place of business	71 Lytton Road East Brisbane QLD 4169 Phone: (07) 3249 3000
Share register	Link Market Services Limited Level 21, 10 Eagle Street Brisbane QLD 4001 Phone: 1300 554 474
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 MLMOA respectively)
Website	www.metallicaminerals.com.au
Corporate Governance Statement	www.metallicaminerals.com.au/corporate-governance

Metallica Minerals Limited
Directors' report
30 June 2018

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 year ended 30 June 2018.

Directors

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

Peter Turnbull
Simon Slesarewich (appointed 17 April 2018)
Steven Boulton
Ian Jacobson (appointed 1 July 2018)
Wang Ruobing (resigned 1 May 2018)
Shu Zhang (alternate to Wang Ruobing) (resigned 1 May 2018)

Principal activities

During the financial year, the principal activities of the consolidated entity consisted of mineral exploration, evaluation and progressing development of its Urquhart Bauxite Project (UBx) and due diligence on the Wagina Bauxite Project in the Solomon Islands. There were no significant changes in the principal activities of the consolidated entity, except that the company commenced due diligence on the Wagina Bauxite Project in the Solomon Islands and in exchange for providing a short-term loan of \$186,017 to South West Pacific Bauxite (HK) Ltd (75% owner of the Wagina Project) .

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$3,195,557 (30 June 2017: loss of \$2,559,121).

The 30 June 2018 consolidated profit includes a gain of \$6,000,000 arising on the disposal of the SCONI Project. The impairment of exploration and evaluation expenditure, and financial assets amounted to \$289,140 compared to \$950,481 for the financial year ended 30 June 2017.

Metallica Minerals Limited
Directors' report
30 June 2018

During the year ended 30 June 2018 the consolidated entity:

- Continued to advance its Urquhart Bauxite project (UBx) and appointed Bigbites Ltd, a specialist bauxite marketing company based in Hong Kong, as its Marketing Agent for sales of bauxite from the company's Urquhart Bauxite project in far north Queensland.
- Entered into a conditional agreement in September 2017 to dispose of its interest in the SCONI Project for \$10,000,000 in cash and shares to Australian Mines Limited (ASX code: AUZ). In December 2017 an additional payment of \$1,000,000 became payable for varying the agreement, bringing the total sale and purchase price to \$11,000,000. The company has received the first tranche of funds of \$3,500,000 and the additional payment of \$1,000,000 from Australian Mines Limited. The company was also granted \$1,500,000 in AUZ shares (16,811,916 shares) in July 2018 (the Consideration Shares). Following the commencement of commercial production from SCONI, a further \$5,000,000 in cash or issuance of AUZ shares will become due (the Production Payment).

The SCONI Project had a nil carrying value at the date of disposal, and as a result the company has recognised a net gain on disposal of \$6,000,000 representing the first tranche of funds, the additional payment and the Consideration Shares.

- Raised \$853,103 (before expenses) from the conversion of all of the outstanding 20,215,706 listed options (ASX code: MLMO). Including previous conversions a total of \$1,270,000 was raised from these options.
- Was granted a Mining Lease for the Urquhart Bauxite project by the Queensland Department of Natural Resources (the Department). The Department has imposed conditions on the development of the Urquhart Bauxite project that are in line with the company's plans and expectations. Included among the conditions is the requirement that operations are only conducted during the dry season (April through December inclusive). The consolidated entity is now focused on obtaining approval for the proposed haul road from the Mining Lease to the Hey Point transhipping facility.
- Entered into a secured loan agreement with South West Pacific Bauxite (HK) Ltd, 75% owner of the advanced Wagina bauxite project (Wagina or the Project) in the Solomon Islands. In exchange for the providing the loan, Metallica has been granted an option to carry out exclusive due diligence on Wagina with a view to ultimately completing a transaction involving the Project. Under the agreement the exclusivity extends for the period the loan is outstanding. The amount advanced is \$186,017 for a period of 12 months and at an interest rate of 15% per annum. The loan has been impaired at 30 June 2018.

Capital expenditure

During the 2018 financial year, \$604,975 was incurred on capitalised exploration and development expenditure (2017: \$811,653). The majority of the expenditure incurred was on the UBx exploration and development assets.

Cash flow and Liquidity

During the 2018 financial year, the net cash outflows from operating activities increased to \$2,202,732 (2017: \$1,953,482) and the increase is largely attributable to an increase in project expenses, advertising, marketing and promotional costs.

For the financial year ended 30 June 2018 net cash inflows from investing activities amounted to \$3,807,258 (2017: \$715,054). The increase in net cash inflows was largely attributable to the receipt of \$4,500,000 from the sale of the SCONI Project. In the 2017 financial year the consolidated entity received cash inflows totalling \$1,482,359 which did not occur in the 2018 financial year, consisting of a Research and Development tax offset, proceeds from entering into the SCONI farm-in agreement, and proceeds from maturity of investments. Cash outflows for plant and equipment, mining development assets and, exploration and evaluation amounted to \$604,975 (2017: \$811,653).

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

Merger

On 13 September 2018, the company announced that it had entered into a binding Arrangement Agreement (AA) to merge with Melior Resources Inc (TSX-V:MLR) (Melior) via a Plan of Arrangement to be approved by the court in British Columbia, Canada (Merger). The Merger is to be implemented by way of a Canadian Plan of Arrangement, whereby Metallica has agreed to acquire all of the issued capital of Melior by the issue of 20 new Metallica shares for every 1 Melior share held. Melior shareholders and Metallica shareholders will hold approximately 64% and 36% respectively of the merged entity. The AA contains a number of conditions precedent including: receipt of all regulatory, court and all other required approvals; and Metallica and Melior shareholder approval. The Merger is anticipated to be effective by December 2018, pending approvals.

Metallica Minerals Limited
Directors' report
30 June 2018

Updated pre-feasibility study

On 12 September 2018 the company announced the results of the updated Pre-Feasibility Study (Updated PFS) for the Company's 50%-owned Urquhart Bauxite project (Urquhart), five kilometres southwest of Weipa on Queensland's Cape York. The Updated PFS Base Case points to a potential revenue stream nearing A\$390 million across 5.5 years of production, delivering a total operating margin (allowing for all costs including royalties) of approximately A\$10.50 per tonne with payback of just 1.3 years from October 2018. The Updated PFS was independently prepared by Brisbane-based international consultancy, IMC Mining Pty Ltd (IMC), which also completed the JORC (2012) resources estimate for Urquhart.

Shares allotted in Australian Mines Limited

On 6 July 2018, the company was allotted 16,811,916 shares in Australian Mines Limited (ASX: AUZ) under the SCONI Sale and Purchase Agreement (refer note 5). The value of the AUZ shares allotted was \$1,500,000 based on the 30 day volume weighted average price for AUZ.

No other matter or circumstance has arisen since 30 June 2018 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.

Likely developments and expected results of operations

Since the end of the 30 June 2018 financial year, the consolidated entity has retained all its Mining Leases (granted and applied). The consolidated entity will continue to rigorously review and control costs, actively progress the Urquhart Bauxite Project, continue with the due diligence review of the Wagina Bauxite Project, and continue to maximise the value of non-core assets.

The consolidated entity's goal is to become a profitable supplier of bauxite commencing in the 2018/2019 financial year, subject to receipt of all approvals and execution of all agreements required to commence operations, and to evaluate options to maximise the value of the HMS processing plant and the company's other non-core projects including the Esmeralda graphite, the Fairview limestone and the Cape Flattery silica sand projects.

Environmental regulation

The consolidated entity is subject to environmental regulations under laws of Queensland where it holds mineral exploration and mining tenements. During the financial year the consolidated entity's activities recorded no non-compliance issues.

Metallica Minerals Limited
Directors' report
30 June 2018

Information on directors

Name:	Peter Turnbull
Title:	Non-executive Chairman
Qualifications:	B.Commerce, LLB, FGIA (Life), FAICD
Experience and expertise:	Peter has significant experience as an independent non-executive director and chair across a range of sectors including over a decade in the resources, energy and technology commercialisation sectors.

Peter has over 30 years of prior senior executive experience gained in publicly listed, private and government owned organisations operating in Australia, South East Asia, Europe and the Americas. This experience includes senior executive positions with ASX Top 50 companies such as Newcrest Mining Limited, BTR Nylex Limited and Energex Limited, a major government owned energy company. Peter also has significant regulatory, government and public policy experience including as a former director of corporate finance for the Securities and Futures Commission of Hong Kong.

Peter is a non-executive director, Life Member and former President, of the Governance Institute of Australia and is an active contributor, writer and speaker on governance related issues within Australian and international governance circles. Peter's practical governance experience includes the design and management of corporate governance, risk management and remuneration regimes.

Other current directorships:	Non-Executive Director of Karoon Gas Australia Limited since 6 June 2014.
Former directorships (last 3 years):	None
Special responsibilities:	Chairman
Interests in shares:	390,000
Interests in options:	None
Interests in rights:	None

Name:	Simon Slesarewich (appointed 17 April 2018)
Title:	Managing Director
Qualifications:	B.Eng (Mining), Diplomas in Administration, and Applied Finance and Investment
Experience and expertise:	Simon is a Mining Engineer and registered Senior Site Executive in Queensland, has more than 18 years' experience across a range of jurisdictions, including a strong background in operational and executive roles within both mining and contracting entities. Simon is currently also a Director of Larkham Resources. He is a Director of the Queensland Resources Council (QRC) and a member of Queensland Exploration Council (QEC). He is the former CEO of Northern Discovery and Boardwalk Resources.

Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Managing Director
Interests in shares:	1,833,334
Interests in options:	166,667
Interests in rights:	6,000,000

Metallica Minerals Limited
Directors' report
30 June 2018

Name: Steven Boulton
Title: Non-executive Director
Qualifications: MTM, BBus, Grad Dip App Corp Gov, FAICD, FGIA, FIML, CAHRI
Experience and expertise: Mr Boulton's 40-year career has covered complex fund/asset investment management organisations and utility/ infrastructure enterprises, including Director level experience in the mining/minerals sector. Mr Boulton's CEO experience includes entities listed on the ASX and NZX, and private and government-owned corporations. This has included CEO positions with Hastings Funds Management, CP2 Funds Management, Prime/BBI, Powerco in New Zealand and Allgas. Executive Chairman experience includes the Dalrymple Bay Coal Terminal, PD Ports in the UK and WestNet Rail. Executive and/or non-executive Director experience includes Infrastructure Partnerships Australia, Port of Brisbane. Australian Infrastructure Fund, Australian Pacific Airports Corporation and various infrastructure sector national associations.

Mr Boulton is currently a Director of Nova Group, a global defence and engineering services firm which has offices throughout Australia and overseas.

Other current directorships: None
Former directorships (last 3 years): Non-executive Director of Atrium Coal NL from 22 August 2014 to 24 November 2016
Special responsibilities: None
Interests in shares: 1,350,000
Interests in options: 500,000
Interests in rights: None

Name: Ian Jacobson (appointed 1 July 2018)
Title: Non-executive Director
Qualifications: B.Eng. (Mechanical)
Experience and expertise: Mr Jacobson has more than 40 years' experience in the aluminium industry and has held senior executive roles in operations and project development with Rio Tinto/Comalco, Alcoa of Australia and BHP Billiton Aluminium. Mr Jacobson is also a co-founder and the current Executive Chairman of SCCR Group, which provides a range of consulting services to the primary aluminium industry including; project development, plant management, technical and operational support and governance in bauxite mining, alumina refining and aluminium smelting.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: None
Interests in options: None
Interests in rights: None

Name: Wang Ruobing (resigned 1 May 2018)
Title: Non-executive Director
Qualifications: CIA
Experience and expertise: Mr Wang Ruobing is the Chairman of Jilin Jien Nickel Industry Co Ltd. The Jilin Jien Nickel Industry Co Ltd through its Australian subsidiary, is the largest shareholder in Metallica Minerals Limited and China's second largest nickel producer. Mr Wang Ruobing has worked for the Jilin Jien group since 1996, and in January 2017 was appointed Chairman of the group. Mr Wang Ruobing is a certified internal auditor.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: None
Interests in options: None
Interests in rights: None

Metallica Minerals Limited
Directors' report
30 June 2018

Name:	Shu Zhang (resigned 1 May 2018)
Title:	Alternate director for Wang Ruobing
Qualifications:	BE in Mining Engineering, PhD and ME Candidate in Civil and Mining Engineering
Experience and expertise:	Dr Shu Zhang has over 40 years' experience in mining, first as a Miner, then a Mining Engineer, and later an Executive Manager in operations and project development in companies in Australia, China, and Canada. Dr Zhang was one of the key members who played a critical role in the successful development of Sino Gold Mining Limited. Dr Zhang has worked for the Jilin Nickel Group since 2011, and has been a director of Jilin's Canadian subsidiaries, being the unlisted Canadian Royalties Inc., and the TSX listed Northern Sun Mining Corporation (until April 2016).
Other current directorships:	None
Former directorships (last 3 years):	Director of Northern Sun Mining Corporation, listed on the TSX/TSXV, Canada (June 2011 – April 2016)
Special responsibilities:	Alternate director for Wang Ruobing
Interests in shares:	None
Interests in options:	None
Interests in rights:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated. 'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

* Interests in the shares, options and rights of the company as at the date of resignation as a director.

Company secretary

The Company Secretary in office for the whole of the financial year was John Haley. John is a Chartered Accountant with over 35 years' experience in accounting and finance. John has served in Chief Financial Officer and Company Secretary roles for a number of listed and non-listed entities.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
P Turnbull	14	14
S Slesarewich (appointed 17 April 2018)	2	2
S Boulton	13	13
Shu Zhang (alternate W Ruobing) (resigned 1 May 2018)	6	9

Held: represents the number of meetings held during the time the director held office.

With effect from 30 June 2015, the Board decided that it was no longer appropriate to have separate committees for Audit & Risk and Remuneration. The Board as part of its role has undertaken the responsibilities of these Board committees and carries out the functions set out in their respective charters to ensure that their objectives are met.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

Metallica Minerals Limited
Directors' report
30 June 2018

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency

The remuneration structure for key management personnel, excluding non-executive directors, is set by the Board and is based on a number of factors including, market remuneration for comparable companies, particular experience of the individual concerned and overall performance of the consolidated entity. The contracts for service between the consolidated entity and key management personnel are on a continuing basis the terms of which are not expected to materially change in the immediate future. The consolidated entity retains the right to terminate contracts immediately by making payment of an amount based on the employee's years of service. Upon retirement or termination key management personnel, excluding non-executives, are paid employee benefits accrued to date of retirement or termination. No other termination benefits are payable under service contracts except that the Managing Director and the Chief Financial Officer are entitled 12 and 6 months annual base salary respectively if a change in control occurs, and to 6 months' annual base salary if their employment is terminated, provided the amount payable does not exceed any amount allowable under the Corporations Act 2001 or the ASX Listing Rules. Any options or share rights issued which are not exercised on or before the date of termination lapse 3 months after termination. Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Board.

The remuneration framework is aligned to shareholders' interests through:

- a focus on sustained growth in share price and key non-financial drivers of value
- attracting and retaining high calibre executives

The remuneration framework is aligned to employees' interests through:

- rewarding capability and experience
- reflecting competitive rates of remuneration in respect of skills and responsibility
- providing a clear structure for earning rewards
- providing recognition for achievements

In accordance with best practice corporate governance, the structure of non-executive directors and executive remuneration is separate.

Non-executive director remuneration

Remuneration of the non-executive directors is approved by the Board and set in aggregate within the maximum amount approved by the shareholders from time to time. The fees have been determined by the Board having regard to industry practice and the need to obtain appropriately qualified independent persons.

The aggregate pool of remuneration paid to non-executive directors was approved by shareholders on 24 November 2010 and is currently \$300,000 per annum for Metallica Minerals Limited as parent entity. The amount paid to non-executive directors of the parent entity (Metallica Minerals Limited) during the year to 30 June 2018 was \$146,241 (2017: \$168,987).

Executive remuneration

The consolidated entity and company aims to reward executives with a level and mix of remuneration, both fixed and variable, based on their position and level of achievement.

Metallica Minerals Limited
Directors' report
30 June 2018

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

(i) Fixed remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and adds additional value to the executive.

(ii) Short-term incentives

Managing Director

The Managing Director is the only executive director. He is eligible for short-term incentive (STI) cash bonus payments based on the achievement of the KPIs as specified in his executive service agreement. The KPIs for bonus purposes are determined for each financial year of the term of his service agreement. The aim of the STI is to link the achievement of the company's annual and/or immediate financial and broader operational targets with the remuneration received by the Managing Director. The total potential STI is set at a level so as to provide sufficient incentive to achieve the operational targets and at a cost to the company that is reasonable in the circumstances. Actual STI payments awarded to the Managing Director depend on the extent to which specific targets prescribed in the performance agreement for a financial year are met and are limited to a maximum of 50% of his annual base salary. A cash bonus of \$74,750 (28.75% of base salary) was paid in the year ended 30 June 2018 in relation to the achievement of the performance targets for the financial year ended 30 June 2017, and \$56,000 (22% of base salary) was accrued at 30 June 2018 in relation to the achievement of KPIs for the financial year ended 30 June 2018. This accrued amount has not been paid at the date of this report and is subject to Board approval.

The targets for the financial year ended 30 June 2018 consisted of the following key performance indicators covering financial and non-financial measures of performance:

Criterion	Weighting in maximum payment	KPIs (to be discharged on or before 30 June 2018)
Safety	20%	50% - Zero lost time injuries.
Business growth	30%	50% - Implementation of an integrated safety and health management system. Identify and negotiate an acquisition that meets the company business strategy, but not necessarily close the transaction or; Dispose of an asset within the company portfolio that delivers on strategy and value to the company.
Budget	50%	Meet budget cash and cost position.

Senior Executives

STIs paid to senior executives are made on a discretionary basis as determined by the Managing Director. These incentives, while not guaranteed, are directly linked to the achievement of KPIs on similar principles to those for the Managing Director as well as various performance targets for each area of operational responsibility, including the preparation and delivery of reports on time and meeting industry targets and standards in relation to workplace health and safety. No bonus is awarded where performance falls below the minimum acceptable KPI levels as determined by the Board or the Managing Director.

(iii) Long-term incentives

Long-term performance incentives (LTI) are delivered through the grant of options and share rights to executive directors and selected senior executives from time to time as part of their remuneration. Share rights have a nil exercise price and the performance hurdles applicable to any performance period (including how they will be measured) is set out in the invitation to the eligible executives.

Metallica Minerals Limited
Directors' report
30 June 2018

At the Annual General Meeting held on 29 November 2016, the company's shareholders approved the issue of share rights to key employees under the company's incentive plan approved the Board of Directors on 24 October 2016. The purpose of the incentive plan is to:

- (a) assist in the reward, retention and motivation of participants;
- (b) align the interests of participants with the interests of the company's shareholders;
- (c) promote the long-term success of the company and provide greater incentive for participants to focus on the company's longer term goals;
- (d) link the reward of participants to the performance of the company and the creation of shareholder value; and
- (e) provide participants with the opportunity to share in any future growth in value of the company.

On 2 July 2017 the company granted 6,000,000 share rights to Simon Slesarewich (Managing Director). **No shares have been issued at the date of this report.** The value of these rights at grant date was \$341,941.

- 2,000,000 rights vest upon commencement of production from the company's Urquhart Bauxite Project
- 1,000,000 rights vest on 2 July 2018 being the third anniversary of Simon's commencement date
- 1,000,000 rights vest on 2 July 2019 being the fourth anniversary of Simon's commencement date
- 2,000,000 vest upon acquisition of a controlling interest in the Wagina Bauxite Project in Solomon Islands

On 9 November 2017 the company granted 1,000,000 share rights to John Haley (CFO). These rights will vest on the commencement of commercial production from the company's Urquhart Bauxite Project. The fair value of the rights was \$50,991.

Consolidated entity performance and link to remuneration

Because the consolidated entity is in exploration and development, not production, there is no direct relationship between the consolidated entity's financial performance and the level of remuneration paid to key management personnel.

At 30 June 2018 the market price of the company's ordinary shares was 4 cents per share (30 June 2017: 5 cents per share). No dividends were paid during the year ended 30 June 2018.

Share prices are subject to the influence of international metal prices and market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration. The company may issue options or performance rights to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of key management personnel with those of the company's shareholders.

Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as determined by the Board of Directors. Except in so far as Directors and other key management personnel hold options or share rights over shares in the company, there is no relationship between remuneration policy and the company's performance.

Use of remuneration consultants

The company did not engage remuneration consultants during the financial year ended 30 June 2018.

Voting and comments made at the company's 20 November 2017 Annual General Meeting ('AGM')

The company received 90% of 'for' votes in relation to its remuneration report for the year ended 30 June 2017. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

The key management personnel of the consolidated entity consisted of the following directors of Metallica Minerals Limited:

- P Turnbull
- S Boulton
- S Slesarewich (Chief Executive Officer until 17 April 2018 and Managing Director thereafter)
- Wang Ruobing (resigned 1 May 2018)
- Shu Zhang (resigned 1 May 2018)

And the following persons:

- J K Haley - Chief Financial Officer and Company Secretary

Metallica Minerals Limited
Directors' report
30 June 2018

Changes since the end of the reporting period:

Mr Ian Jacobson was appointed a Non-executive Director on 1 July 2018.

	Short-term benefits			Post-employment	Long-term benefits		Share-based payments	
	Cash salary and fees	Bonus	Annual leave accrual	Super-annuation	Long service leave	Sub-total	Options, rights & shares (f)	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Directors								
Non-executive:								
P Turnbull (a)								
- 2018	71,667	-	-	6,808	-	78,475	-	78,475
- 2017	39,038	-	-	3,709	-	42,747	-	42,747
S Boulton (a)								
- 2018	39,574	-	-	3,760	-	43,334	-	43,334
- 2017	16,719	-	-	1,588	-	18,307	-	18,307
S Zhang (b)								
- 2018	35,000	-	-	-	-	35,000	-	35,000
- 2017	45,500	-	-	-	-	45,500	-	45,500
A Gillies (c)								
- 2017	40,730	-	-	-	-	40,730	-	40,730
B Casson (c)								
- 2017	27,000	-	-	-	-	27,000	-	27,000
Executive:								
S Slesarewich (d)								
- 2018	255,100	-	5,402	24,234	-	415,486	199,079	614,565
bonus 2018 (e)	-	56,000	-	-	-	-	-	-
bonus 2017 (e)	-	74,750	-	-	-	-	-	-
- 2017	237,443	-	9,247	22,557	-	269,247	46,503	315,750
Other key management personnel								
J K Haley								
- 2018	109,840	-	12,147	10,435	(3,513)	128,909	16,275	145,184
- 2017	88,382	-	15,298	31,618	1,325	136,623	-	136,623
Total								
- 2018	511,181	130,750	17,549	45,237	(3,513)	701,204	215,354	916,558
- 2017	494,812	-	24,545	59,472	1,325	580,154	46,503	626,657

(a) Mr P Turnbull and Mr S Boulton were appointed Directors on 12 December 2016 and 25 January 2017 respectively.

(b) Mr S Zhang resigned as an Alternate Director on 1 May 2018.

(c) Mr B Casson and Mr A Gillies resigned as Directors on 12 December 2016 and 2 June 2017 respectively.

(d) Mr S Slesarewich was Chief Executive Officer until 17 April 2018 and appointed Managing Director thereafter.

(e) Mr Slesarewich's short-term cash bonus of \$130,750 for the 30 June 2018 financial year, comprises \$74,750 paid and \$56,000 accrued in relation to the achievement of KPIs for the financial years ended 30 June 2017 and 30 June 2018 respectively. The accrued amount has not been paid at the date of this report and is subject to Board approval.

(f) The amounts included in the share-based remuneration represent the grant date fair value of performance rights, amortised on a straight line basis over the expected vesting period. None of the performance rights granted in the current financial year had vested at 30 June 2018, and no shares have accordingly been issued.

Dr Wu Shu (Non-executive director) resigned on 6 March 2017 and Mr Wang Ruobing (Non-executive Director) was appointed in his stead. Mr Wang Ruobing resigned on 1 May 2018. Dr Wu Shu and Mr Wang Ruobing did not receive any remuneration during the 2018 and 2017 financial years.

Metallica Minerals Limited
Directors' report
30 June 2018

The proportion of remuneration linked to performance (i.e. options) and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2018	2017	2018	2017	2018	2017
<i>Non-Executive Directors:</i>						
P Turnbull	100%	100%	-	-	-	-
A L Gillies	-	100%	-	-	-	-
S Boulton	100%	100%	-	-	-	-
S Zhang	100%	100%	-	-	-	-
B J Casson	-	100%	-	-	-	-
<i>Executive Directors:</i>						
S J Slesarewich	46%	85%	21%	-	33%	15%
<i>Other Key Management Personnel:</i>						
J K Haley	89%	100%	-	-	11%	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Simon Joseph Slesarewich
Title: Chief Executive Officer until 17 April 2018 and Managing Director thereafter
Agreement commenced: 2 July 2017
Term of agreement: Ongoing
Details: The contract provides for an annual base salary of \$280,000 per annum (inclusive of the minimum statutory superannuation contributions) and an annual cash bonus of up to 50% of Simon Slesarewich's annual base salary. The cash bonus is dependent on the achievement of KPI's.

Simon is also entitled to performance rights under the company's incentive plan. The Board of Directors will review the long-term incentive arrangements at least once every two years after the commencement date.

The contract may be terminated by 18 weeks' notice from either party and payment of 6 months of annual base salary. The contract also provides for payment of 12 months of annual base salary and 100% of any short-term and long-term incentives if control of the company changes.

The contract is to be reviewed annually by the Board of Directors.

Name: John Kevin Haley
Title: Chief Financial Officer and Company Secretary
Agreement commenced: 1 July 2009
Term of agreement: Ongoing
Details: The contract is to be reviewed annually by the Board of Directors and was last reviewed in December 2015. Following this review the base salary including the superannuation guarantee levy remained unchanged at \$120,000. The contract may be terminated by 1 months' notice from either party. The contract provides for payment of 6 months of base salary if control of the company changes or John Haley's employment is terminated.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares granted to directors and other key management personnel as part of compensation during the year ended 30 June 2018.

Options

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	Number of options granted during the year 2018	Number of options granted during the year 2017	Number of options vested during the year 2018	Number of options vested during the year 2017
S J Slesarewich	-	-	-	2,000,000

For the options that lapsed during the year, the value of the options at the date they lapsed was nil.

Details of options over ordinary shares that lapsed or were cancelled, for directors and other key management personnel during the year ended 30 June 2018 are set out below:

Name	Grant date	Vesting date	Number of options granted	Number of options lapsed/ cancelled
S J Slesarewich	13 July 2015	12 July 2017	2,000,000	2,000,000
S J Slesarewich	13 July 2015	12 July 2018	2,000,000	2,000,000

Share rights

The terms and conditions of each grant of share rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of rights granted	Grant date	Vesting date and exercisable date	Expiry date	Fair value per right at grant date
S J Slesarewich	1,000,000	2 July 2017	2 July 2018	9 November 2019	\$0.057
S J Slesarewich	2,000,000	2 July 2017	31 March 2019	9 November 2019	\$0.057
S J Slesarewich	1,000,000	2 July 2017	2 July 2019	9 November 2019	\$0.057
S J Slesarewich	2,000,000	2 July 2017	30 June 2019	9 November 2019	\$0.057
J K Haley	1,000,000	9 November 2017	31 March 2019	9 November 2019	\$0.051

Share rights granted carry no dividend or voting rights.

Metallica Minerals Limited
Directors' report
30 June 2018

The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	Number of rights granted during the year 2018	Number of rights granted during the year 2017	Number of rights vested during the year 2018	Number of rights vested during the year 2017
S J Slesarewich	6,000,000	1,000,000	-	1,000,000
J K Haley	1,000,000	-	-	-

Values of share rights over ordinary shares granted and exercised for directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	Value of rights granted during the year \$	Value of rights exercised during the year \$
S J Slesarewich	341,941	-
J K Haley	50,990	-

Equity instruments issued on exercise of remuneration options/rights granted during the year

There were no remuneration options/rights exercised during the year ended 30 June 2018.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2018 are summarised below:

	2018 \$	2017 \$	2016 \$	2015 \$	2014 \$
Profit/(loss) after income tax	3,195,557	(2,559,121)	(5,747,331)	(7,722,353)	(15,333,124)

The factors that are considered to affect Total Shareholders Return ('TSR') are summarised below:

	2018	2017	2016	2015	2014
Share price at financial year end (\$)	0.04	0.05	0.03	0.06	0.04
Basic earnings/(loss) per share (cents per share)	0.99	(1.05)	(3.23)	(4.65)	(9.55)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Options/rights exercised during the year	Additions	Disposals/ other*	Balance at the end of the year
<i>Ordinary shares</i>					
P Turnbull	-	-	222,500	-	222,500
S Boulton	1,000,000	-	-	-	1,000,000
S J Slesarewich	1,666,667	-	166,667	-	1,833,334
J K Haley	125,000	-	-	-	125,000
	<u>2,791,667</u>	<u>-</u>	<u>389,167</u>	<u>-</u>	<u>3,180,834</u>

* Includes the removal from the table of the shareholdings for key management personnel who have either resigned during the period or are no longer considered to be a key management person.

None of the shares above are held nominally by the directors or any of the other key management personnel.

Mr Wang Ruobing resigned as a director of Metallica Minerals Limited on 1 May 2018. Mr Ruobing is a director of Jien Mining Pty Ltd which held 40,099,678 shares in Metallica Minerals Limited at date of Mr Ruobing's resignation.

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other*	Balance at the end of the year
<i>Options over ordinary shares</i>					
S Boulton	500,000	-	-	-	500,000
S J Slesarewich	4,333,334	-	(166,667)	(4,000,000)	166,667
	<u>4,833,334</u>	<u>-</u>	<u>(166,667)</u>	<u>(4,000,000)</u>	<u>666,667</u>

* For the options that lapsed/cancelled during the year, the value of the options at the date they lapsed was nil.

	Vested and exercisable	Unvested	Balance at the end of the year
<i>Options over ordinary shares</i>			
S Boulton	500,000	-	500,000
S J Slesarewich	166,667	-	166,667
	<u>666,667</u>	<u>-</u>	<u>666,667</u>

No other key management personnel held options.

Metallica Minerals Limited
Directors' report
30 June 2018

Share rights holding

The number of share rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Share rights over ordinary shares</i>					
S J Slesarewich	-	6,000,000	-	-	6,000,000
J K Haley	-	1,000,000	-	-	1,000,000
	-	7,000,000	-	-	7,000,000
			Vested and exercisable	Unvested	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
S J Slesarewich			-	6,000,000	6,000,000
J K Haley			-	1,000,000	1,000,000
			-	7,000,000	7,000,000

Loans to key management personnel and their related parties

There were no loans owing by key management personnel of the group, including their close family members and entities related to them, during the financial year ended 30 June 2018.

Other transactions with key management personnel and their related parties

There were no other transactions with key management personnel of the group, including their close family members and entities related to them, during the financial year ended 30 June 2018.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Metallica Minerals Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
3 August 2011	No expiry date*	\$0.7000	1,000,000
13 April 2017**	30 September 2018	\$0.0850	38,000,102
			<u>39,000,102</u>

* These options will expire 3 years after the decision to mine at Lucknow or Kokomo is made.

** Options issued under a renounceable entitlement offer.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

No options were granted to the directors or any of the five highest remunerated officers of the company since the end of the financial year.

Metallica Minerals Limited
Directors' report
30 June 2018

Shares under share rights

Unissued ordinary shares of Metallica Minerals Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
02/07/2017	09/11/2019	\$0.0000	6,000,000
09/11/2017	09/11/2019	\$0.0000	<u>2,000,000</u>
			<u><u>8,000,000</u></u>

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

The following ordinary shares of Metallica Minerals Limited were issued during the year ended 30 June 2018 and up to the date of this report on the exercise of options granted:

Date options exercised	Exercise price	Number of shares issued
13 July 2017	\$0.0422	20,215,706

Shares issued on the exercise of share rights

There were no ordinary shares of Metallica Minerals Limited issued on the exercise of performance rights during the year ended 30 June 2018 and up to the date of this report.

Indemnity and insurance of officers

Each of the Directors and the Secretary of the company have entered into a Deed with the company whereby the company has provided certain contractual rights of access to books and records of the company to those Directors and Secretary. The company has insured all of the Directors of Metallica Minerals Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act 2001 does not require disclosure of the information in these circumstances.

Indemnity and insurance of auditor

Other than the standard indemnities, the company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 24 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Metallica Minerals Limited

Directors' report

30 June 2018

The directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of BDO Audit Pty Ltd

There are no officers of the company who are former partners of BDO Audit Pty Ltd.

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 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



P Turnbull
Chairman

28 September 2018
Brisbane



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY R M SWABY TO THE DIRECTORS OF METALLICA MINERALS LIMITED

As lead auditor of Metallica Minerals Limited for the year ended 30 June 2018, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in dark ink, appearing to read 'R M Swaby', is written over a light grey circular background.

R M Swaby
Director

BDO Audit Pty Ltd

Brisbane, 28 September 2018

Metallica Minerals Limited

Contents

30 June 2018

Statement of comprehensive income	21
Statement of financial position	22
Statement of changes in equity	23
Statement of cash flows	24
Notes to the financial statements	25
Directors' declaration	52
Independent auditor's report to the members of Metallica Minerals Limited	53
Shareholder information	59

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 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 28 September 2018. The directors have the power to amend and reissue the financial statements.

Metallica Minerals Limited
Statement of comprehensive income
For the year ended 30 June 2018

	Note	Consolidated 2018 \$	2017 \$
Revenue	4	200,713	134,381
Other income	5	6,000,000	398,020
Expenses			
Advertising and promotional costs		(103,712)	(73,922)
Raw materials and consumables used		-	(170)
Rental expenses		(195,830)	(194,596)
Employee benefits expense	6	(1,067,687)	(824,489)
Exploration costs		(342,537)	(370,374)
Depreciation and amortisation expense	6	(4,543)	(31,855)
Impairment of property, plant and equipment	11	-	(950,481)
Impairment of loan	9	(186,017)	-
Listing fees and share register expenses		(91,506)	(100,151)
Impairment of exploration and evaluation expenditure	12	(103,123)	-
Legal fees		(143,717)	(74,422)
Marketing		(144,117)	-
Project generation		(241,387)	-
Travel, accommodation and conferences		(140,287)	(94,987)
Professional fees		(98,718)	(146,865)
Other expenses		(141,421)	(227,844)
Finance costs	6	(554)	(1,366)
Profit/(loss) before income tax expense		3,195,557	(2,559,121)
Income tax expense	7	-	-
Profit/(loss) after income tax expense for the year attributable to the owners of Metallica Minerals Limited	20	3,195,557	(2,559,121)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Metallica Minerals Limited		<u>3,195,557</u>	<u>(2,559,121)</u>
		Cents	Cents
Basic earnings per share	34	0.99	(1.05)
Diluted earnings per share	34	0.97	(1.05)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Metallica Minerals Limited
Statement of financial position
As at 30 June 2018

	Note	Consolidated 2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	8	6,113,196	3,737,143
Trade and other receivables	9	47,821	91,258
Other	10	1,650,000	-
Total current assets		<u>7,811,017</u>	<u>3,828,401</u>
Non-current assets			
Plant and equipment	11	1,057,258	1,011,315
Exploration and evaluation	12	1,459,500	957,648
Other	14	141,316	290,277
Total non-current assets		<u>2,658,074</u>	<u>2,259,240</u>
Total assets		<u>10,469,091</u>	<u>6,087,641</u>
Liabilities			
Current liabilities			
Trade and other payables	15	326,082	158,801
Employee benefits	16	117,954	102,498
Total current liabilities		<u>444,036</u>	<u>261,299</u>
Total liabilities		<u>444,036</u>	<u>261,299</u>
Net assets		<u>10,025,055</u>	<u>5,826,342</u>
Equity			
Issued capital	18	36,422,427	35,650,900
Reserves	19	8,324,865	8,093,236
Accumulated losses	20	(34,722,237)	(37,917,794)
Total equity		<u>10,025,055</u>	<u>5,826,342</u>

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

Metallica Minerals Limited
Statement of changes in equity
For the year ended 30 June 2018

Consolidated	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 year	-	-	(2,559,121)	(2,559,121)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,559,121)	(2,559,121)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 18)	3,445,387	-	-	3,445,387
Share-based payments (note 35)	-	46,503	-	46,503
Balance at 30 June 2017	<u>35,650,900</u>	<u>8,093,236</u>	<u>(37,917,794)</u>	<u>5,826,342</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017	35,650,900	8,093,236	(37,917,794)	5,826,342
Profit after income tax expense for the year	-	-	3,195,557	3,195,557
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	3,195,557	3,195,557
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 35)	-	231,629	-	231,629
Contributions of equity net of transaction costs (note 23)	771,527	-	-	771,527
Balance at 30 June 2018	<u>36,422,427</u>	<u>8,324,865</u>	<u>(34,722,237)</u>	<u>10,025,055</u>

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

Metallica Minerals Limited
Statement of cash flows
For the year ended 30 June 2018

	Note	Consolidated 2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		165,870	216,342
Payments to suppliers and employees (inclusive of GST)		(2,446,328)	(2,228,709)
		(2,280,458)	(2,012,367)
Interest received		78,280	60,251
Interest and other finance costs paid		(554)	(1,366)
Net cash used in operating activities	33	(2,202,732)	(1,953,482)
Cash flows from investing activities			
Net cash (outflow)/inflow from additional capital introduced in joint operation		(225)	17,500
Loans advanced to other parties		(186,017)	-
Payments for property, plant and equipment	11	(50,486)	-
Payments for exploration and evaluation	12	(604,975)	(811,653)
Proceeds from disposal of SCONI Project	5	4,500,000	-
Receipt of Research and Development tax offset		-	450,295
Proceeds from held to maturity investments		-	757,064
Proceeds from disposal of property, plant and equipment, and exploration assets		-	20,000
Proceeds from entering into SCONI farm-in agreement		-	275,000
Receipt for security deposit		148,961	6,848
Net cash from investing activities		3,807,258	715,054
Cash flows from financing activities			
Proceeds from issue of shares	18	853,103	3,510,901
Share issue transaction costs	18	(81,576)	(65,514)
Net cash from financing activities		771,527	3,445,387
Net increase in cash and cash equivalents		2,376,053	2,206,959
Cash and cash equivalents at the beginning of the financial year		3,737,143	1,530,184
Cash and cash equivalents at the end of the financial year	8	<u>6,113,196</u>	<u>3,737,143</u>

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. None of the new standards and amendments to standards affected any of the amounts recognised in the current period or any prior period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

For the year ended 30 June 2018 the consolidated entity incurred a loss of \$2,804,443 before income tax and before accounting for the gain on disposal of the SCONI Project of \$6,000,000 (30 June 2017: loss before income tax of \$2,559,121) and net cash outflows from operating activities of \$2,202,732 (2017: \$1,953,482).

The Directors have concluded that the going concern basis of preparation of the financial statements is appropriate and any uncertainty regarding going concern is mitigated by the following:

- At 30 June 2018 the consolidated entity had net current assets of \$7,366,981 (2017: \$3,567,102) and total net assets of \$10,025,055 (2017: \$5,826,342). Cash and cash equivalents at 30 June 2018 amounted to \$6,113,196 (2017: \$3,737,143).
- On 6 July 2018 the company was allotted 16,811,916 shares in Australian Mines Limited (ASX code: AUZ) under the SCONI Sale and Purchase Agreement (refer note 5). The value of the AUZ shares allotted was \$1,500,000 and the shares are subject to a voluntary escrow period of 3 months.
- The company expects revenue from the Urquhart Bauxite project to commence in the 2018/2019 financial year, subject to final approvals being received.

Based on the above, the Directors are of the opinion that at the date of signature of the financial report there are reasonable and supportable grounds to believe that the consolidated entity will be able to meet its liabilities from its assets in the ordinary course of business, for a period of not less than 12 months from the date of this financial report and has accordingly prepared the financial report on a going concern basis.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Metallica Minerals Limited ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Metallica Minerals Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Note 1. Significant accounting policies (continued)

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Metallica Minerals Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Note 1. Significant accounting policies (continued)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Joint arrangements

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Metallica Minerals Limited has only one joint operation at the reporting date and no joint ventures.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Metallica Minerals Limited has recognised its share of the jointly held assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications. Details of the joint operation are set out in note 31.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduces the carrying amount of the investment.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Note 1. Significant accounting policies (continued)

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Restoration, rehabilitation and environmental expenditure

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Estimates of future costs are reassessed at least annually. Changes in estimates relating to areas of interest in the exploration and evaluation phase are dealt with retrospectively, with any amounts that would have been written off or provided against under the accounting policy for exploration and evaluation immediately written off.

Restoration from exploration drilling is carried out at the time of drilling and accordingly no provision is required.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Comparatives

Where required by the Australian Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 1. Significant accounting policies (continued)

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018. The reported results and position of the consolidated entity will not change on adoption of this standard as it does not result in any changes to the consolidated entity's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018. The consolidated entity currently does not have any significant revenue contracts with customers that may be impacted by this standard.

Note 1. Significant accounting policies (continued)

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. The consolidated entity will adopt this standard from 1 July 2019.

The standard does not apply to leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources however, it will affect primarily the accounting for the consolidated entity's operating leases. As at the reporting date, the consolidated entity had only one non-cancellable operating lease which has a lease term of 12 months. As the lease is short-term, the company will continue to recognise lease payments as an expense on a straight-line basis in profit or loss. Consequently, the company does not envisage any changes to current accounting for leases however, this could change if the current operating lease is renewed or a new operating lease entered into for a lease-term greater than 12 months.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments will have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Impairment of plant and equipment

The consolidated entity assesses impairment of plant and equipment at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

Significant judgements and assumptions were required in making an estimate of the fair value of the capital works in progress associated with the Oresome joint operation. The estimated fair value was determined based on enquiries of independent parties (refer note 11).

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 3. 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.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 4. Revenue

	Consolidated	
	2018	2017
	\$	\$
Interest	101,342	59,832
Royalty	56,146	42,722
Other revenue	43,225	31,827
Revenue	<u>200,713</u>	<u>134,381</u>

Accounting policy for revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the consolidated entity will comply with all the attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate. Government grants relating to the purchase or development of assets, including exploration and evaluation activities, are deducted from the carrying value of the asset.

Note 4. Revenue (continued)

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Note 5. Other income

	Consolidated	
	2018	2017
	\$	\$
Net (loss)/gain on reduction of interest in joint operation and introduction of additional equity	-	17,500
Net gain on disposal of assets including inventory and property, plant and equipment	-	90,000
Net gain on disposal of SCONI Project*	6,000,000	-
Income received on entering into SCONI farm-in agreement	-	275,000
Other income	-	15,520
Other income	<u>6,000,000</u>	<u>398,020</u>

- * The company entered into a conditional agreement in September 2017 to dispose of its interest in the SCONI Project for \$10,000,000 in cash and shares to Australian Mines Limited (ASX code: AUZ). In December 2017 an additional payment of \$1,000,000 became payable for varying the agreement, bringing the total sale and purchase price to \$11,000,000 (exclusive of GST). The company has received the first tranche of funds of \$3,500,000 (exclusive of GST) and the additional payment of \$1,000,000 from Australian Mines Limited. The company was also allotted \$1,500,000 in AUZ shares (16,811,916 shares) in July 2018 (the Consideration Shares). The SCONI Project had a nil carrying value at the date of disposal, and as a result the company has recognised a net gain on disposal of \$6,000,000 representing the first tranche of funds, the additional payment and the Consideration Shares. Refer note 25 for details relating to the remaining \$5,000,000 due.

Note 6. Expenses

	Consolidated	
	2018	2017
	\$	\$
Profit/(loss) before income tax includes the following specific expenses:		
<i>Aggregate employee benefits expense</i>		
Defined contribution superannuation expense	69,006	60,525
Equity-settled share-based payments	231,629	46,503
Other employee benefits expenses	872,632	773,884
	<u>1,173,267</u>	<u>880,912</u>
<i>Less</i>		
Employee costs capitalised to exploration	<u>(105,580)</u>	<u>(56,423)</u>
Employee benefits expense	<u>1,067,687</u>	<u>824,489</u>
<i>Depreciation</i>		
Plant and equipment	<u>4,543</u>	<u>31,855</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	<u>544</u>	<u>1,366</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<u>179,569</u>	<u>182,441</u>

Note 7. Income tax expense

	Consolidated	
	2018	2017
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit/(loss) before income tax expense	<u>3,195,557</u>	<u>(2,559,121)</u>
Tax at the statutory tax rate of 27.5%	878,778	(703,758)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
(Loss)/gain on reduction in interest in joint venture	60	(4,813)
Share based payments	<u>63,698</u>	<u>12,788</u>
	942,536	(695,783)
Current year tax losses not recognised	-	613,096
Prior year tax losses not recognised now recouped	(840,736)	-
Current year temporary differences not recognised	<u>(101,800)</u>	<u>82,687</u>
Income tax expense	<u>-</u>	<u>-</u>

Note 7. Income tax expense (continued)

	Consolidated	
	2018	2017
	\$	\$
<i>Deferred tax assets not recognised</i>		
Deductible temporary differences and unused tax losses for which no deferred tax assets have been recognised are attributable to the following:		
Unused tax losses	4,761,356	5,454,318
Other deductible temporary differences	841,536	(295,935)
Deductible temporary differences offset against taxable temporary differences	(402,808)	803,553
	<u>5,200,084</u>	<u>5,961,936</u>

The above potential tax benefit for tax losses and deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain. The tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2018	2017
	\$	\$
Cash on hand	50	50
Cash at bank	533,690	1,628,268
Cash on deposit	5,579,456	2,108,825
	<u>6,113,196</u>	<u>3,737,143</u>

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 9. Current assets - trade and other receivables

	Consolidated	
	2018	2017
	\$	\$
Trade receivables	19,946	9,668
Less: Provision for impairment of receivables	-	(5,191)
	<u>19,946</u>	<u>4,477</u>
Loans to other parties	186,017	-
Less: Provision for impairment of receivables	(186,017)	-
	<u>-</u>	<u>-</u>
Other receivables	3,405	79,730
Interest receivable	24,470	1,408
GST receivable	-	5,643
	<u>47,821</u>	<u>91,258</u>

At 30 June 2018 there were no trade receivables that were past due. At 30 June 2017 trade receivables of \$5,191 were past due and were impaired.

Note 9. Current assets - trade and other receivables (continued)

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Note 10. Current assets - other

	Consolidated	
	2018	2017
	\$	\$
Deferred sale proceeds - SCONI Project	<u>1,650,000</u>	<u>-</u>

The deferred sale proceeds represent the Consideration Shares plus GST, to be granted to Metallica in connection with the disposal of the SCONI Project (refer note 5). On 6 July 2018 the company was allotted 16,811,916 ordinary shares in Australian Mines Limited (ASX: AUZ) under the SCONI Sale and Purchase Agreement. The value of the AUZ shares allotted was \$1,500,000 (excluding GST) based on the 30 day volume weighted average price for AUZ.

Note 11. Non-current assets - plant and equipment

	Consolidated	
	2018	2017
	\$	\$
Plant and equipment - at cost	1,022,776	972,289
Less: Accumulated depreciation	(806,973)	(802,429)
Less: Impairment	(158,545)	(158,545)
	<u>57,258</u>	<u>11,315</u>
Motor vehicles - at cost	47,539	47,539
Less: Accumulated depreciation	(47,539)	(47,539)
	<u>-</u>	<u>-</u>
Capital works in progress	2,638,837	2,638,837
Less: Impairment	(1,638,837)	(1,638,837)
	<u>1,000,000</u>	<u>1,000,000</u>
	<u><u>1,057,258</u></u>	<u><u>1,011,315</u></u>

Note 12. Non-current assets - exploration and evaluation (continued)

Reconciliations

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

Consolidated	Exploration & Evaluation \$	Total \$
Balance at 1 July 2016	296,290	296,290
Additions	811,653	811,653
R&D tax offset	(150,295)	(150,295)
Balance at 30 June 2017	957,648	957,648
Additions	604,975	604,975
Impairment of assets	(103,123)	(103,123)
Balance at 30 June 2018	<u>1,459,500</u>	<u>1,459,500</u>

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent upon successful development and commercial exploitation or sale of the respective areas of interest.

Accounting policy for exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Note 13. Non-current assets - mining development

	Consolidated 2018 \$	2017 \$
Mining development - at cost	4,214,838	4,214,838
Less: Impairment	(4,214,838)	(4,214,838)
	<u>-</u>	<u>-</u>

Mining development represents the consolidated entity's share of the mining development assets in the Oresome joint operation (refer note 31).

Accounting policy for mining assets

Once an undeveloped mining project has been established as commercially viable and approval to mine has been given, expenditure other than land, buildings, plant and equipment is capitalised under "Mining development" together with any amount transferred from "Exploration and evaluation".

Amortisation of mining development is computed by the units of production basis over the estimated proved and probable reserves. Proved and probable mineral reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. These reserves are amortised from the date on which production commences. The amortisation is calculated from recoverable proven and probable reserves and a predetermined percentage of the recoverable measured, indicated and inferred resource. This percentage is reviewed annually.

Restoration costs expected to be incurred are provided for as part of development phase that give rise to the need for restoration.

Note 14. Non-current assets - other

	Consolidated	
	2018	2017
	\$	\$
Security deposits	<u>141,316</u>	<u>290,277</u>

Note 15. Current liabilities - trade and other payables

	Consolidated	
	2018	2017
	\$	\$
Trade payables	100,967	133,266
GST payable	138,472	-
Other payables	<u>86,643</u>	<u>25,535</u>
	<u>326,082</u>	<u>158,801</u>

Refer to note 22 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 16. Current liabilities - employee benefits

	Consolidated	
	2018	2017
	\$	\$
Annual leave	76,681	57,446
Long service leave	<u>41,273</u>	<u>45,052</u>
	<u>117,954</u>	<u>102,498</u>

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 17. Non-current liabilities - deferred tax

	Consolidated	
	2018	2017
	\$	\$
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Exploration and evaluation expenditure	401,363	263,353
Other taxable temporary differences	1,445	388
Deductible temporary differences offset against taxable temporary differences	<u>(402,808)</u>	<u>(263,741)</u>
Deferred tax liability	<u>-</u>	<u>-</u>

Metallica Minerals Limited
Notes to the financial statements
30 June 2018

Note 18. Equity - issued capital

		2018	Consolidated	2018	2017
		Shares	Shares	\$	\$
Ordinary shares - fully paid		<u>322,447,408</u>	<u>302,231,715</u>	<u>36,422,427</u>	<u>35,650,900</u>
<i>Movements in ordinary share capital</i>					
Details	Date	Shares	Issue price	\$	
Balance	1 July 2016	227,311,635		32,205,513	
Exercise of options	7 March - 14 June 2017	9,719,998	\$0.0450	438,651	
Exercise of share rights	8 March 2017	1,000,000	\$0.0000	-	
Rights issue	13 April - 20 April 2017	64,200,082	\$0.0520	3,338,404	
Share issue costs		-	\$0.0000	(331,668)	
Balance	30 June 2017	302,231,715		35,650,900	
Exercise of options	13 July 2017	20,215,706	\$0.0422	853,103	
Other movements		(13)	\$0.0000	-	
Share issue costs		-	\$0.0000	(81,576)	
Balance	30 June 2018	<u>322,447,408</u>		<u>36,422,427</u>	

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Shares for services rendered

2017 - The company issued 5,779,769 ordinary shares at 5.2 cents per share and 8,586,885 free listed options at the discretion of the underwriter of the renounceable rights issue.

Rights issues

2017 - Completed a renounceable rights issue offered on the basis of 1 new share for every 4 shares held at 5.2 cents per share. With every 2 new shares, investors received a free listed option with an exercise price of 8.5 cents. A total of 64,200,082 ordinary shares were issued, raising \$3,338,404 before transaction costs.

Options

2018 and 2017 - The options exercised relate to options granted in terms of the renounceable rights issue that was completed in the 2016 financial year.

Share rights

2017 - Information relating to the share rights granted and exercised during the financial year and rights outstanding at the end of the reporting period, is set out in note 35.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Note 18. Equity - issued capital (continued)

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

The capital structure of the consolidated entity consists of equity attributable to equity holders of the parent entity comprising of issued capital, reserves and accumulated losses as disclosed in the statement of changes in equity. In common with many other exploration companies, the parent raises finance for the consolidated entity's exploration and appraisal activities in discrete tranches.

Management effectively manages the consolidated entity's capital by assessing the consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

There are no externally imposed capital requirements.

The capital risk management policy remains unchanged from the 2017 Annual Report.

The consolidated entity monitors capital on the basis of its working capital position (i.e. liquidity risk). The net working capital of the consolidated entity at 30 June 2018 was \$7,366,981 (2017: \$3,567,102).

Accounting policy for issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 19. Equity - reserves

	Consolidated	
	2018	2017
	\$	\$
Share-based payments reserve	<u>8,324,865</u>	<u>8,093,236</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payments reserve \$	Total \$
Balance at 1 July 2016	8,046,733	8,046,733
Share based payments	<u>46,503</u>	<u>46,503</u>
Balance at 30 June 2017	8,093,236	8,093,236
Share based payments	<u>231,629</u>	<u>231,629</u>
Balance at 30 June 2018	<u>8,324,865</u>	<u>8,324,865</u>

Note 20. Equity - accumulated losses

	Consolidated	
	2018	2017
	\$	\$
Accumulated losses at the beginning of the financial year	(37,917,794)	(35,358,673)
Profit/(loss) after income tax expense for the year	<u>3,195,557</u>	<u>(2,559,121)</u>
Accumulated losses at the end of the financial year	<u><u>(34,722,237)</u></u>	<u><u>(37,917,794)</u></u>

Note 21. Equity - dividends

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Franking credits

	Consolidated	
	2018	2017
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30% (2017: 30%)	<u><u>583,794</u></u>	<u><u>583,794</u></u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 22. Financial instruments

Financial risk management objectives

Risk management is carried out under policies set by the board of directors. The board provides principles for overall risk management, as well as policies covering specific areas.

The board monitors and manages the financial risk relating to the operations of the consolidated entity. The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

Foreign currency risk

The consolidated entity does not currently have any significant exposure to foreign currency risk.

Price risk

The consolidated entity does not currently have any significant exposure to price risk.

Interest rate risk

The consolidated entity's main interest rate risk arises from cash and cash equivalents and held to maturity investments.

Note 22. Financial instruments (continued)

	2018		2017	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Consolidated				
Cash at bank	0.61%	533,690	1.16%	1,628,268
Cash on deposit	1.85%	<u>5,579,456</u>	1.83%	<u>2,108,825</u>
Net exposure to cash flow interest rate risk		<u><u>6,113,146</u></u>		<u><u>3,737,093</u></u>

At 30 June 2018, if interest rates had increased/decreased by 25 basis points (bps) from the year end rates with all other variables held constant, post-tax loss for the year would have been \$15,283 lower/higher (2017 changes of 25 bps: \$9,343 lower/higher), mainly as a result of higher/lower interest income from cash and cash equivalents and held to maturity investments.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2018						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	100,967	-	-	-	100,967
BAS payable	-	138,472	-	-	-	138,472
Other payables	-	86,643	-	-	-	86,643
Total non-derivatives		<u>326,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>326,082</u>

Note 22. Financial instruments (continued)

Consolidated - 2017	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	133,266	-	-	-	133,266
Other payables	-	25,535	-	-	-	25,535
Total non-derivatives		<u>158,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,801</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Due to their short-term nature the carrying amounts of financial instruments reflect their fair value.

Note 23. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2018	2017
	\$	\$
Short-term employee benefits	659,480	519,357
Post-employment benefits	45,237	59,472
Long-term benefits	(3,513)	1,325
Share-based payments	<u>215,354</u>	<u>46,503</u>
	<u><u>916,558</u></u>	<u><u>626,657</u></u>

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the company:

	Consolidated	
	2018	2017
	\$	\$
<i>Audit services - BDO Audit Pty Ltd</i>		
Audit or review of the financial statements	<u>50,239</u>	<u>50,716</u>
<i>Other services - BDO Audit Pty Ltd</i>		
Tax compliance services	<u>31,409</u>	<u>22,250</u>
	<u><u>81,648</u></u>	<u><u>72,966</u></u>

Note 25. Contingent assets

In respect of the disposal of the SCONI Project in September 2017 (refer Note 5), additional consideration of \$5,000,000 in cash or shares in Australian Mines Limited (the Production Payment), will be payable to the Group on commencement of commercial production. This additional consideration has not been recognised in the 30 June 2018 financial statements, as the receipt of the additional consideration is not virtually certain. The commencement of commercial production from the Project requires favourable commodity prices and markets, availability of funding and various government approvals.

Note 26. Contingent liabilities

The consolidated entity does not believe it has any contingent liability arising from any possible Native Title or other claims.

Note 27. Commitments

	Consolidated	
	2018	2017
	\$	\$
<i>Commitments for minimum expenditure on exploration permits</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,219,190	1,145,511
One to five years	285,000	778,000
	<u>1,504,190</u>	<u>1,923,511</u>
<i>Commitments for environmental authority annual fee</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	5,480	7,824
One to five years	21,920	31,296
	<u>27,400</u>	<u>39,120</u>
<i>Tenement rentals</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	68,630	140,280
One to five years	274,520	561,122
	<u>343,150</u>	<u>701,402</u>
<i>Operating lease commitments payable</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	55,054	97,453
<i>Oresome Joint Venture - the group's share of the tenement commitments made jointly with other joint venturers</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,209,190	835,258
One to five years	1,879,038	1,290,277
	<u>3,088,228</u>	<u>2,125,535</u>

Commitments for minimum expenditure on exploration permits

The consolidated entity has certain commitments to meet minimum annual expenditure requirements on the mineral exploration assets it has an interest in. Any shortfalls are carried forward to subsequent years.

Operating lease commitments

Operating lease commitments represent contracted amounts for offices under a non-cancellable operating lease. The office lease expires within 1 year and there is an option to extend.

Note 28. Related party transactions

Parent entity

Metallica Minerals Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Joint operations

Interests in joint operations are set out in note 31.

Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2018	2017
	\$	\$
Other transactions:		
Subscription for new ordinary shares by key management personnel as a result of the vesting of share rights	-	40,000
Subscription for new ordinary shares by key management personnel as a result of the rights issue	-	69,680

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of comprehensive income

	Parent	
	2018	2017
	\$	\$
Profit/(loss) after income tax	<u>3,229,339</u>	<u>(2,447,527)</u>
Total comprehensive income	<u>3,229,339</u>	<u>(2,447,527)</u>

Metallica Minerals Limited
Notes to the financial statements
30 June 2018

Note 29. Parent entity information (continued)

Statement of financial position

	Parent	
	2018	2017
	\$	\$
Total current assets	7,805,716	3,824,676
Total assets	8,509,470	4,120,267
Total current liabilities	440,417	261,195
Total liabilities	7,610,294	7,453,585
Equity		
Issued capital	36,422,427	35,650,900
Share-based payments reserve	8,324,865	8,093,236
Accumulated losses	(43,848,116)	(47,077,454)
Total equity/(deficiency)	899,176	(3,333,318)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2018 and 30 June 2017.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2018 and 30 June 2017.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2018	2017
		%	%
Oresome Australia Pty Limited	Australia	100.00%	100.00%
Greenvale Operations Pty Limited	Australia	100.00%	100.00%
Scandium Pty Limited	Australia	100.00%	100.00%
NORNICO Pty Limited	Australia	100.00%	100.00%
Phoenix Lime Pty Limited	Australia	100.00%	100.00%
Lucky Break Operations Pty Limited	Australia	100.00%	100.00%
Touchstone Resources Pty Limited	Australia	100.00%	100.00%
Oresome Bauxite Pty Limited*	Australia	100.00%	100.00%

* Oresome Bauxite Pty Limited is a wholly owned subsidiary of Oresome Australia Pty Limited.

Unless otherwise stated, the subsidiaries have share capital consisting solely of ordinary shares that are held directly by the consolidated entity, and the proportion of ownership interests is equal to the proportion of voting rights held by the consolidated entity.

Note 30. Interests in subsidiaries (continued)

Significant restrictions

There are no significant restrictions on the ability of the consolidated entity to access or use the assets and settle the liabilities of the consolidated entity.

Note 31. 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	
		2018 %	2017 %
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 year ended 30 June 2018, Ozore and Metallica contributed additional capital of \$788,150 and \$788,601 respectively. Consequently, Metallica has recognised a net cash outflow of \$225 in the statement of cash flows, which represents Ozore's share of the additional cash contributed by Metallica.

Note 32. Events after the reporting period

Merger

On 13 September 2018, the company announced that it had entered into a binding Arrangement Agreement (AA) to merge with Melior Resources Inc (TSX-V:MLR) (Melior) via a Plan of Arrangement to be approved by the court in British Columbia, Canada (Merger). The Merger is to be implemented by way of a Canadian Plan of Arrangement, whereby Metallica has agreed to acquire all of the issued capital of Melior by the issue of 20 new Metallica shares for every 1 Melior share held. Melior shareholders and Metallica shareholders will hold approximately 64% and 36% respectively of the merged entity. The AA contains a number of conditions precedent including: receipt of all regulatory, court and all other required approvals; and Metallica and Melior shareholder approval. The Merger is anticipated to be effective by December 2018, pending approvals.

Updated pre-feasibility study

On 12 September 2018 the company announced the results of the updated Pre-Feasibility Study (Updated PFS) for the Company's 50%-owned Urquhart Bauxite project (Urquhart), five kilometres southwest of Weipa on Queensland's Cape York. The Updated PFS Base Case points to a potential revenue stream nearing A\$390 million across 5.5 years of production, delivering a total operating margin (allowing for all costs including royalties) of approximately A\$10.50 per tonne with payback of just 1.3 years from October 2018. The Updated PFS was independently prepared by Brisbane-based international consultancy, IMC Mining Pty Ltd (IMC), which also completed the JORC (2012) resources estimate for Urquhart.

Shares allotted in Australian Mines Limited

On 6 July 2018, the company was allotted 16,811,916 shares in Australian Mines Limited (ASX: AUZ) under the SCONI Sale and Purchase Agreement (refer note 5). The value of the AUZ shares allotted was \$1,500,000 based on the 30 day volume weighted average price for AUZ.

Note 32. Events after the reporting period (continued)

No other matter or circumstance has arisen since 30 June 2018 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 33. Reconciliation of profit/(loss) after income tax to net cash used in operating activities

	Consolidated	
	2018	2017
	\$	\$
Profit/(loss) after income tax expense for the year	3,195,557	(2,559,121)
Adjustments for:		
Depreciation and amortisation	4,543	31,855
Share-based payments	231,629	46,503
Impairment of plant and equipment	-	950,481
Impairment of financial assets	186,017	-
Impairment of exploration and evaluation expenditure	103,123	-
Net gain on disposal of SCONI Project	(6,000,000)	-
Income received on entering into SCONI farm-in agreement	-	(275,000)
Net loss/(gain) on introduction of additional equity in joint operation	225	(17,500)
Net gain on disposal of assets including inventory and property, plant and equipment	-	(90,000)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	43,437	42,611
Decrease in prepayments	-	37,029
Increase/(decrease) in trade and other payables	17,281	(143,967)
Increase in employee benefits	15,456	23,627
Net cash used in operating activities	<u>(2,202,732)</u>	<u>(1,953,482)</u>

Note 34. Earnings per share

	Consolidated	
	2018	2017
	\$	\$
Profit/(loss) after income tax attributable to the owners of Metallica Minerals Limited	<u>3,195,557</u>	<u>(2,559,121)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	321,782,795	243,369,034
Adjustments for calculation of diluted earnings per share:		
Share rights	<u>8,000,000</u>	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>329,782,795</u>	<u>243,369,034</u>
	Cents	Cents
Basic earnings per share	0.99	(1.05)
Diluted earnings per share	0.97	(1.05)

Options are considered to be potential ordinary shares but were anti-dilutive in nature and were not included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

Note 34. Earnings per share (continued)

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Metallica Minerals Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 35. Share-based payments

Incentive Plan

At the Annual General Meeting held on 29 November 2016, the company's shareholders approved the issue of share rights to key employees under the company's incentive plan approved the Board of Directors on 24 October 2016. The purpose of the incentive plan is to:

- (a) assist in the reward, retention and motivation of participants;
- (b) align the interests of participants with the interests of the company's shareholders;
- (c) promote the long-term success of the company and provide greater incentive for participants to focus on the company's longer term goals;
- (d) link the reward of participants to the performance of the company and the creation of shareholder value; and
- (e) provide participants with the opportunity to share in any future growth in value of the company.

Under the plan eligible participants may be granted share rights for nil consideration (unless otherwise provided under 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 share in the company.

In November 2016 the company granted 1,000,000 share rights to Simon Slesarewich (Managing Director) in lieu of a short term incentive. The fair value of the rights was \$40,000.

On 2 July 2017 the company granted 6,000,000 share rights to Simon Slesarewich (Managing Director). The value of these rights at grant date was \$341,941.

- (a) 2,000,000 rights vest upon commencement of production from the company's Urquhart Bauxite Project
- (b) 1,000,000 rights vest on 2 July 2018 being the third anniversary of Simon's commencement date
- (c) 1,000,000 rights vest on 2 July 2019 being the fourth anniversary of Simon's commencement date
- (d) 2,000,000 vest upon acquisition of a controlling interest in the Wagina Bauxite Project in Solomon Islands

On 11 November 2017 the company granted 1,000,000 share rights each to John Haley (CFO) and Chris Broadhead (General Manager). These rights will vest on the commencement of commercial production from the company's Urquhart Bauxite Project. The fair value of the rights was \$101,981.

Set out below are summaries of options granted:

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
13/07/2015	12/07/2017	\$0.1250	2,000,000	-	-	(2,000,000)	-
13/07/2015	12/07/2018	\$0.1500	2,000,000	-	-	(2,000,000)	-
			4,000,000	-	-	(4,000,000)	-
Weighted average exercise price			\$0.1400	\$0.0000	\$0.0000	\$0.1400	\$0.0000

Note 35. Share-based payments (continued)

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
03/08/2011	03/08/2016	\$0.5000	1,000,000	-	-	(1,000,000)	-
20/12/2013	31/12/2016	\$0.1000	500,000	-	-	(500,000)	-
21/08/2014	31/12/2016	\$0.1000	500,000	-	-	(500,000)	-
13/07/2015	01/07/2016	\$0.0750	2,000,000	-	-	(2,000,000)	-
13/07/2015	31/12/2016	\$0.1000	2,000,000	-	-	(2,000,000)	-
13/07/2015	12/07/2017	\$0.1250	2,000,000	-	-	-	2,000,000
13/07/2015	12/07/2018	\$0.1500	2,000,000	-	-	-	2,000,000
24/11/2015	31/12/2016	\$0.1000	2,000,000	-	-	(2,000,000)	-
			12,000,000	-	-	(8,000,000)	4,000,000

Weighted average exercise price	\$0.1400	\$0.0000	\$0.0000	\$0.1400	\$0.1400

The weighted average remaining contractual life of options outstanding at the end of the 2017 financial year was 0.53 years.

Set out below are summaries of share rights granted under the incentive plan:

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
02/07/2017	09/11/2019	\$0.0000	-	6,000,000	-	-	6,000,000
09/11/2017	09/11/2019	\$0.0000	-	2,000,000	-	-	2,000,000
			-	8,000,000	-	-	8,000,000

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
29/11/2016	30/06/2017	\$0.0000	-	1,000,000	(1,000,000)	-	-
			-	1,000,000	(1,000,000)	-	-

Measurement of fair values:

The fair value of the share rights granted during the year was measured using the Black-Scholes option pricing model. The valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
02/07/2017	09/11/2019	\$0.0510	103.00%	-	1.80%	\$0.057
09/11/2017	09/11/2019	\$0.0510	103.00%	-	1.80%	\$0.051

The share rights that were granted during the 2017 financial year, were not subject to any performance conditions and vested at the discretion of the Board of Directors. These rights were valued at their intrinsic value at the vesting date.

The total expense arising from share-based payment transactions recognised during the period as part of employee benefits expense was \$231,629 (2017: \$46,503).

Accounting policy for share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Note 35. Share-based payments (continued)

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Metallica Minerals Limited
Directors' declaration
30 June 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial 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.
- the remuneration disclosures contained in the Remuneration Report comply with s300A of the Corporations Act 2001.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



P Turnbull
Chairman

28 September 2018
Brisbane

INDEPENDENT AUDITOR'S REPORT

To the members of Metallica Minerals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Metallica Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying value of exploration and evaluation assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
Refer to note 12 in the financial report The carrying value of the Group's exploration and evaluation asset is impacted by the Group's ability, and intention, to continue to explore this asset. The results of exploration work also determine to what extent the mineral reserves and resources may or may not be commercially viable for extraction. This impacts the ability of the Group to recover the carrying value of the exploration and evaluation assets either through the successful development or sale. Due to the quantum of this asset and the subjectivity involved in determining whether it's carrying value will be recovered through successful development or sale, we have determined this is a key audit matter.	We have critically evaluated management's assessment of each impairment trigger per AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, including but not limited to: • Reviewing the directors' assessment of the carrying value of the exploration and evaluation costs, ensuring that management have considered the effect of potential impairment indicators, commodity prices and the stage of the Group's project against the standard of AASB 6 • Obtaining from management a schedule of areas of interest held by the Group and assessed as to whether the Group had rights of tenure over the relevant exploration areas by obtaining external confirmation from the relevant government agency and also considered whether the Group maintains tenements in good standing • Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest and assessing the Group's cashflow budget for the level of budgeted spend on exploration projects • Considering whether any other data exists which indicates that the carrying amount of the exploration and evaluation asset that is unlikely to be recovered in full from successful development or by sale We have also assessed the appropriateness of the disclosures included in note 12 to the financial report.

Going Concern

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
Note 1 of the financial statements outlines the basis of preparation of financial statements which indicates being prepared on a going concern basis. As the group generates no revenue and is reliant on funding from other sources such as capital raising, there is significant judgement involved in determining whether a material uncertainty relating to going concern exists and is critical to the understanding of the financial statements as a whole. As a result, this matter was key to our audit.	In evaluating management's assessment of the going concern assumption, we performed the following procedures but not limited to: • Obtaining and evaluating management's assessment of the group's ability to continue as a going concern • Reviewing management's assumptions in the cash flow forecasts to assess whether current cash levels along with expected cash inflows and expenditure can sustain the operations of the Group for a period of at least 12 months from the date of signing of the financial statements • Assessing the cash flow forecasts provided by management and challenging the assumptions therein in to determine if there is consistency with management's intention and stated business and operational objectives • Performing a sensitivity analysis over cash flow forecasts as prepared by management based on a number of alternative scenarios • Assessed the adequacy of the disclosures in relation to going concern included in note 1 to the financial report.

Disposal of SCONI Project tenements

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
Refer to notes 5 and 10 and 25 in the financial report As disclosed in note 5 of the financial report, the Metallica Minerals Limited disposed SCONI Project tenements for cash and shares in Australian Mines Limited. The audit of the accounting for this acquisition is a key audit matter due to the materiality of the amount and the significant judgement involved in assessing the determination of the fair value of consideration and the final sales price which included contingent deferred consideration.	Our procedures included but were not limited to: • Reviewing the purchase and sale agreement to understand the terms and conditions of the acquisitions and evaluating management's application of the relevant accounting standards • Testing the gain on disposal by reconciling the consideration to the purchase and sale agreement and bank accounts • Verifying whether the gain on disposal was calculated in accordance with the relevant clauses of the agreement. We have also assessed the appropriateness of the disclosures included in Notes 5, 10 and 25 to the financial report.

Carrying value of Heavy Mineral Sands (HMS) plant

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
As disclosed in note 11, plant and equipment includes Heavy Mineral Sands (HMS) plant of \$1,000,000 which represents a significant balance recorded in the consolidated statement of financial position. The evaluation of the recoverable amount of the HMS plant requires significant judgement in determining the key assumptions supporting the expected future cash flows of this asset.	We have evaluated the management's impairment assessment of plant and equipment per AASB 136 <i>Impairment of Assets</i>, and performed, amongst others, the following procedures: • Critically assessing the judgements made by the Group in determining the fair value less costs to sell of plant and equipment • Reviewing third party documentation provided by management and obtaining documented representation from management of the discussions they have had that goes to support the fair value of the plant. We have also assessed the appropriateness of the disclosures included in note 11 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information contained in directors' report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 16 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Metallica Minerals Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

A handwritten signature in dark ink, appearing to read 'R M Swaby', is written over a faint, light-colored circular stamp that contains the letters 'BDO'.

R M Swaby

Director

Brisbane, 28 September 2018

Metallica Minerals Limited
Shareholder information
30 June 2018

The shareholder information set out below was applicable as at 19 September 2018.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	117
1,001 to 5,000	398
5,001 to 10,000	322
10,001 to 100,000	928
100,001 and over	462
	<u>2,227</u>
Holding less than a marketable parcel	<u>1,070</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares % of total shares issued
Number held	
Jien Mining Pty Ltd	40,099,678 12.44
Plan-1 Pty Ltd	13,287,502 4.12
J P Morgan Nominees Australia Limited	6,110,348 1.89
Bondline Limited	4,910,966 1.52
Mr Paul Dostal	4,500,000 1.40
Corowa Nominees Pty Ltd	4,380,098 1.36
Mrs Carolyn Dow	3,500,000 1.09
MBM Corporation Pty Ltd	3,200,000 0.99
Latsod Pty Ltd - Dostal Superfund A/C	3,000,000 0.93
BNP Paribas Nominees Pty Ltd - IB Au Noms Retailclient DRP	2,754,890 0.85
Asden Investments Pty Limited - Asden P/L Staff S/F A/C	2,745,121 0.85
Mr Lewis Alfred Shotter	2,680,000 0.83
Gefrato Trading Pty Ltd	2,610,000 0.81
Australian Exports & Industrialisation Super Pty Ltd - Buck Family Super Fund A/C	2,512,500 0.78
Mr Graham Raymond Dow	2,500,630 0.78
Codan Trustees - The Mount Cotton Account	2,500,000 0.78
Minnelex Pty Ltd - Pyper Family A/C	2,465,260 0.76
Buckingham Investment Financial Services Pty Ltd - Lennox Head Property A/C	2,000,000 0.62
PWS Super Pty Ltd - Pure Water Systems S/F A/C	2,000,000 0.62
Mrs Zi Juan Qi - Chen Family A/C	2,000,000 0.62
	<u>109,756,993 34.04</u>

Metallica Minerals Limited
Shareholder information
30 June 2018

Twenty largest quoted option holders

	Options over ordinary shares	ordinary shares % of total options
Mr Graham Raymond Dow	2,025,000	5.33
Mrs Carolyn Dow	2,000,000	5.26
MBM Corporation Pty Ltd	2,000,000	5.26
Latsod Pty Ltd - Dostal Superfund A/C	1,997,675	5.26
Mr Paul Dostal	1,650,000	4.34
Pine Air Pty Ltd - Argyle & Sutherland SF A/C	1,600,000	4.21
Mr Hongtao Cui	1,449,717	3.82
Jomot Pty Ltd	1,300,496	3.42
Mr Anthony Robert Ramage	1,300,000	3.42
Srejca Pty Ltd	1,134,194	2.98
Mrs Julie Anne Beynon	1,102,500	2.90
Mr David Gaze	800,000	2.11
Mr Robert Beynon & Mrs Julie Beynon - Beynon Super Fund A/C	775,000	2.04
Corowa Nominees Pty Ltd	766,699	2.02
Mr Grant Schmidlechner	750,000	1.97
Mr Ross Benjamin George - Adalta Holdings A/C	635,964	1.67
Plan-1 Pty Ltd	572,725	1.51
Plan-1 Pty Ltd	568,751	1.50
BNP Paribas Nominees Pty Ltd - Ib Au Noms Retailclient Drp	532,500	1.40
Steve Boulton	500,000	1.32
	23,461,221	61.74

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares % of total shares issued
	Number held
Jien Mining Pty Ltd	40,099,678
	12.44
	Options over ordinary shares
	Ordinary shares % of total options
Mr Graham Raymond Dow	2,025,000
Mrs Carolyn Dow	2,000,000
MBM Corporation Pty Ltd	2,000,000
Latsod Pty Ltd - Dostal Superfund A/C	1,997,675
	5.26

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Metallica Minerals Limited
Shareholder information
30 June 2018

There are no other classes of equity securities.

Metallica Minerals Limited

ACN 076 696 092

Annual Financial Report - 30 June 2017

Metallica Minerals Limited
Corporate directory
30 June 2017

Directors	P Turnbull - Non-executive Chairman S Boulton - Non-executive Director Wang Ruobing - Non-executive Director S Zhang - Alternate Director for Wang Ruobing
Chief Executive Officer	S J Slesarewich
Company secretary	J K Haley
Annual General Meeting	The details of the annual general meeting of Metallica Minerals Limited are: HopgoodGanim Level 7, Waterfront Place, 1 Eagle Street Brisbane QLD 4001 11.30 am on Monday, 20 November 2017
Registered office and principal place of business	71 Lytton Road East Brisbane QLD 4169 Phone: (07) 3249 3000
Share register	Link Market Services Limited Level 19, 324 Queen Street Brisbane QLD 4001 Phone: 1300 554 474
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 MLMOA respectively)
Website	www.metallicaminerals.com.au
Corporate Governance Statement	www.metallicaminerals.com.au/corporate-governance

Metallica Minerals Limited
Directors' report
30 June 2017

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 year ended 30 June 2017.

Directors

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

Peter Turnbull (appointed 12 December 2016)
Steven Boulton (appointed 25 January 2017)
Wang Ruobing (appointed 6 March 2017)
Shu Zhang (alternate to Wu Shu until 6 March 2017 and alternate to Wang Ruobing thereafter)
Andrew L Gillies (resigned 2 June 2017)
Barry J Casson (resigned 12 December 2016)
Wu Shu (resigned 6 March 2017)

Principal activities

During the financial year the principal activities of the consolidated entity consisted of mineral exploration, evaluation and progressing development of its Urquhart Bauxite Project (UBx). There were no significant changes in the principal activities of the consolidated entity.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$2,559,121 (30 June 2016: \$5,747,331).

Impairments of exploration and evaluation expenditure, mining assets and property, plant and equipment for the year ended 30 June 2017 amounted to \$950,481 compared to \$4,430,846 for the year ended 30 June 2016. The reduction in impairments has accounted for most of the decrease in the 2017 loss after tax when compared to the 2016 financial year.

During the year ended 30 June 2017 the consolidated entity:

(a) Continued to advance its UBx project 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. The PFS estimates a 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 targeted for first production in the third quarter of 2017.
- Following recent capital raisings, Metallica has now funded its portion of the capital and 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.
- Received confirmation from Queensland's Department of Environment and Heritage Protection and from the Department of the Environment (Commonwealth) that the Urquhart Bauxite Project does not require an Environmental Impact Statement 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 an option fee of \$25,000 and 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 in the DFS.

(c) Completed a renounceable rights issue offered on the basis of 1 new share for every 4 shares held at 5.2 cents per share. With every 2 new shares, investors received a free listed option with an exercise price of 8.5 cents. A total of 64,200,082 ordinary shares were issued, raising \$3,338,404 before transaction costs.

Metallica Minerals Limited
Directors' report
30 June 2017

(d) Received \$438,651 from the exercise of options that expired on 30 June 2017.

Capital expenditure

During the 2017 financial year, \$811,653 was incurred on capitalised exploration and development expenditure (2016: \$430,224). The majority of the expenditure incurred was on the UBx exploration and development assets.

Cash flow and Liquidity

During the 2017 financial year, the consolidated entity had net cash outflows from operating activities of \$1,953,482 (2016: \$2,046,616). The reduction in net cash outflows is largely attributable to a reduction in payments to employees and other expenses.

For the year ended 30 June 2017 net cash inflows from investing activities amounted to \$715,054 (2016: \$533,993). In the current financial year the consolidated entity received a research and development tax offset of \$450,295 (2016: nil); received \$275,000 from entering into the SCONI farm-in agreement; and the movements in term deposits that were previously shown under 'investing activities' were reclassified to cash and cash equivalents resulting in an inflow of \$757,064. Cash outflows for plant and equipment, mining development assets and, exploration and evaluation amounted to \$811,653 (2016: \$1,256,811).

Significant changes in the state of affairs

Issued capital increased by \$3,445,387 (from \$32,205,513 to \$35,650,900) as the result of a rights issue and the issue of shares on the exercise of options. Details of the changes in issued capital are disclosed in note 19 to the financial statements.

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

Matters subsequent to the end of the financial year

Conversion of options

Subsequent to the end of the financial year, the company raised \$853,102 (before expenses) from the conversion of all of the outstanding 20,215,706 listed options (ASX code: MLMO). Including previous conversions a total of \$1.27 million was raised from these options.

Credit facility

On 10 August 2017, the company announced that it had executed binding agreements with a private company to provide a \$2 million standby credit facility. The private company is a related party to an existing shareholder of the company.

Sale of SCONI Project

On 2 September 2017, the company entered into a conditional agreement to dispose of its interest in the SCONI project for \$10 million in cash and shares in Australian Mines Limited (ASX code: AUZ). The principal terms of the agreement are:

- Payment of \$3.5 million (Completion Payment) in cash by Australian Mines to Metallica on the Completion Date;
- Issuance of Australian Mines shares to Metallica to the value of \$1.5 million (based on a 30-day volume weighted average price) (Consideration Shares) upon the earlier of the completion of the Definitive Feasibility Study by Australian Mines or 30 June 2018;
- A further \$5 million in cash or issuance of Australian Mines shares (based on a 30-day volume weighted average price) (Production Payment) following the commencement of commercial production from the SCONI Project;
- Australian Mines shares issued to Metallica will be subject to a three-month escrow period;
- Metallica will obtain a caveat and mortgage over the SCONI tenements to protect its rights under the Agreement; and
- The termination of the Farm-In Joint Venture Agreement between Metallica and Australian Mines.

The Completion Payment is expected to be made five days after a number of conditions precedent are satisfied by Australian Mines, including obtaining shareholder approval for the Sale and Purchase Agreement (if required) and completing a capital raising to fund the Completion Payment.

The Agreement is subject to several other conditions precedent related to regulatory and other approvals and contains a number of other terms considered normal in an agreement of this nature. If the conditions precedent are not satisfied or waived within 60 business days then the Agreement will be terminated.

No other matter or circumstance has arisen since 30 June 2017 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.

Likely developments and expected results of operations

Since the end of the 30 June 2017 financial year, the consolidated entity has retained all its Mining Leases (granted and applied) including those related to the SCONI nickel/cobalt/scandium project (subject to Farm-In agreement and potential sale agreement). The consolidated entity will continue to rigorously review and control costs, actively progress the Urquhart Bauxite Project, and continue to maximise the value of non-core assets.

The consolidated entity's goal is to become a profitable supplier of bauxite commencing in the 2017 calendar year, subject to receipt of all approvals and execution of all agreements required to commence operations, and to evaluate options to maximise the value of the HMS processing plant and the Company's other non-core projects including the Esmeralda graphite, the Fairview limestone and the Cape Flattery silica sand projects.

Environmental regulation

The consolidated entity is subject to environmental regulations under laws of Queensland where it holds mineral exploration and mining tenements. During the financial year the consolidated entity's activities recorded no non-compliance issues.

Information on directors

Name:	Peter Turnbull (appointed 12 December 2016)
Title:	Non-executive Chairman
Qualifications:	B.Commerce, LLB, FGIA (Life), FAICD
Experience and expertise:	Peter has significant experience as an independent non-executive director and chair across a range of sectors including over a decade in the resources, energy and technology commercialisation sectors.
	Peter has over 30 years of prior senior executive experience gained in publicly listed, private and government owned organisations operating in Australia, South East Asia, Europe and the Americas. This experience includes senior executive positions with ASX Top 50 companies such as Newcrest Mining Limited, BTR Nylex Limited and Energex Limited, a major government owned energy company. Peter also has significant regulatory, government and public policy experience including as a former director of corporate finance for the Securities and Futures Commission of Hong Kong.
	Peter is a non-executive director, Life Member and former President, of the Governance Institute of Australia and is an active contributor, writer and speaker on governance related issues within Australian and international governance circles. Peter's practical governance experience includes the design and management of corporate governance, risk management and remuneration regimes.
Other current directorships:	Non-Executive Director of Karoon Gas Australia Limited since 6 June 2014.
Former directorships (last 3 years):	None
Special responsibilities:	Chairman
Interests in shares:	None
Interests in options:	None
Interests in rights:	None

Metallica Minerals Limited
Directors' report
30 June 2017

Name:	Steven Boulton (appointed 25 January 2017)
Title:	Non-executive Director
Qualifications:	MTM, BBus, Grad Dip App Corp Gov, FAICD, FGIA, FIML, CAHRI
Experience and expertise:	Mr Boulton's 40-year career has covered complex fund/asset investment management organisations and utility/ infrastructure enterprises, including Director level experience in the mining/minerals sector. Mr Boulton's CEO experience includes entities listed on the ASX and NZX, and private and government-owned corporations. This has included CEO positions with Hastings Funds Management, CP2 Funds Management, Prime/BBI, Powerco in New Zealand and Allgas. Executive Chairman experience includes the Dalrymple Bay Coal Terminal, PD Ports in the UK and WestNet Rail. Executive and/or non-executive Director experience includes Infrastructure Partnerships Australia, Port of Brisbane. Australian Infrastructure Fund, Australian Pacific Airports Corporation and various infrastructure sector national associations.
Other current directorships:	None
Former directorships (last 3 years):	Non-executive Director of Atrium Coal NL from 22 August 2014 to 24 November 2016
Special responsibilities:	None
Interests in shares:	1,000,000
Interests in options:	500,000
Interests in rights:	None
Name:	Wang Ruobing (appointed 6 March 2017)
Title:	Non-executive Director
Qualifications:	CIA
Experience and expertise:	Mr Wang Ruobing is the Chairman of Jilin Jien Nickel Industry Co Ltd. The Jilin Jien Nickel Industry Co Ltd through its Australian subsidiary, is the largest shareholder in Metallica Minerals Limited and China's second largest nickel producer. Mr Wang Ruobing has worked for the Jilin Jien group since 1996, and in January 2017 was appointed Chairman of the group. Mr Wang Ruobing is a certified internal auditor.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None
Interests in rights:	None
Name:	Andrew L Gillies (resigned 2 June 2017)
Title:	Non-executive Director
Qualifications:	Bachelor of Science (Geology), MAusIMM
Experience and expertise:	Mr Gillies graduated from the University of Queensland in 1985 with a BSc (Geology), is a member of the Aus.I.M.M. Mr Gillies' key strength is mineral resource management and strategic planning specialising in project generation, selection, evaluation and acquisition. Since 1985 he has worked continuously as a geologist in the mining and exploration industry, accruing over 30 years' experience across a range of commodities. He has valuable experience in the fields of exploration feasibility studies, development, open pit and underground mining of mineral deposits and resource company management.
Other current directorships:	None
Former directorships (last 3 years):	Non-executive director of Metro Mining Limited (2006 - 2014).
Special responsibilities:	None
Interests in shares:	11,140,000*
Interests in options:	2,170,000*
Interests in rights:	None*

Metallica Minerals Limited
Directors' report
30 June 2017

Name: Barry J Casson (resigned 12 December 2016)
Title: Non-executive Chairman until 12 December 2016
Qualifications: MAICD
Experience and expertise: Non-executive Director since 1 December 2010. Mr Casson has more than 40 years' experience in accounting, finance and general management with several listed and unlisted companies, primarily in the resources industry. He has had extensive international experience in project financing and corporate transactions.
Other current directorships: Non-executive Director of Unitywater since 2013 (statutory authority)
Former directorships (last 3 years): None
Special responsibilities: Chairman until 12 December 2016
Interests in shares: None
Interests in options: None
Interests in rights: None

Name: Wu Shu (resigned 6 March 2017)
Title: Non-executive Director
Qualifications: MBA
Experience and expertise: Wu Shu is a director of Jien Mining Pty Ltd which holds 40,099,678 shares in Metallica Minerals Limited.
Other current directorships: None
Former directorships (last 3 years): Chairman and Director of Jilin Jien Nickel Industry Co. Ltd listed on the Shanghai Stock Exchange (2003 - 2016), Director of Liberty Mines Inc. listed on the TSX, Canada (2009 - 2014)
Special responsibilities: None
Interests in shares: None
Interests in options: None
Interests in rights: None

Name: Shu Zhang
Title: Alternate director for Wu Shu until 6 March 2017 and Wang Ruobing thereafter
Qualifications: BE in Mining Engineering, PhD and ME Candidate in Civil and Mining Engineering
Experience and expertise: Dr Shu Zhang has over 40 years' experience in mining, first as a Miner, then a Mining Engineer, and later an Executive Manager in operations and project development in companies in Australia, China, and Canada. Dr Zhang was one of the key members who played a critical role in the successful development of Sino Gold Mining Limited. Dr Zhang has worked for the Jilin Nickel Group since 2011, and has been a director of Jilin's Canadian subsidiaries, being the unlisted Canadian Royalties Inc., and the TSX listed Northern Sun Mining Corporation (until April 2016).
Other current directorships: None
Former directorships (last 3 years): Director of Northern Sun Mining Corporation, listed on the TSX/TSXV, Canada (June 2011 – April 2016)
Special responsibilities: Alternate director for Wu Shu until 6 March 2017 and Wang Ruobing thereafter
Interests in shares: None
Interests in options: None
Interests in rights: None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated. 'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

* Interests in the shares, options and rights of the company as at the date of resignation as a director.

Company secretary

The Company Secretary in office for the whole of the financial year was John Haley. John is a Chartered Accountant with over 35 years' experience in accounting and finance. John has served in Chief Financial Officer and Company Secretary roles for a number of listed and non-listed entities.

Metallica Minerals Limited
Directors' report
30 June 2017

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	Full Board Attended	Held
P Turnbull (appointed 12 December 2016)	14	14
S Boulton (appointed 25 January 2017)	13	13
Shu Zhang (alternate Wu Shu)	9	10
Shu Zhang (alternate W Ruobing)	6	9
A L Gillies (resigned 6 June 2017)	17	17
B J Casson (resigned 12 December 2016)	6	6

Held: represents the number of meetings held during the time the director held office.

With effect from 30 June 2015, the Board decided that it was no longer appropriate to have separate committees for Audit & Risk and Remuneration. The Board as part of its role has undertaken the responsibilities of these Board committees and carries out the functions set out in their respective charters to ensure that their objectives are met.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency

The remuneration structure for key management personnel, excluding non-executive directors, is set by the Board and is based on a number of factors including, market remuneration for comparable companies, particular experience of the individual concerned and overall performance of the consolidated entity. The contracts for service between the consolidated entity and key management personnel are on a continuing basis the terms of which are not expected to materially change in the immediate future. The consolidated entity retains the right to terminate contracts immediately by making payment of an amount based on the employee's years of service. Upon retirement or termination key management personnel, excluding non-executives, are paid employee benefits accrued to date of retirement or termination. No other termination benefits are payable under service contracts except that Mr John Haley is entitled to 6 months' salary if a change in control of the company occurs or his employment is terminated, provided the amount payable does not exceed any amount allowable under the Corporations Act 2001 or the ASX Listing Rules. Any options issued which are not exercised on or before the date of termination lapse 3 months after termination. Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Board.

Metallica Minerals Limited
Directors' report
30 June 2017

The remuneration framework is aligned to shareholders' interests through:

- a focus on sustained growth in share price and key non-financial drivers of value
- attracting and retaining high calibre executives

The remuneration framework is aligned to employees' interests through:

- rewarding capability and experience
- reflecting competitive rates of remuneration in respect of skills and responsibility
- providing a clear structure for earning rewards
- providing recognition for achievements

In accordance with best practice corporate governance, the structure of non-executive directors and executive remuneration is separate.

Non-executive director remuneration

Remuneration of the non-executive directors is approved by the Board and set in aggregate within the maximum amount approved by the shareholders from time to time. The fees have been determined by the Board having regard to industry practice and the need to obtain appropriately qualified independent persons.

The aggregate pool of remuneration paid to non-executive directors was approved by shareholders on 24 November 2010 and is currently \$300,000 per annum for Metallica Minerals Limited as parent entity. The amount paid to non-executive directors of the parent entity (Metallica Minerals Limited) during the year to 30 June 2017 was \$168,987 (2016: \$142,350).

Executive remuneration

The consolidated entity and company aims to reward executives with a level and mix of remuneration, both fixed and variable, based on their position and level of achievement.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and adds additional value to the executive.

The long-term incentives include share-based payments. Options to acquire shares may be awarded to executives. Share rights have a nil exercise price and the performance hurdles applicable to any performance period (including how they will be measured) is set out in the invitation to the eligible executives.

Consolidated entity performance and link to remuneration

Because the consolidated entity is in exploration and development, not production, there is no direct relationship between the consolidated entity's financial performance and the level of remuneration paid to key management personnel.

At 30 June 2017 the market price of the company's ordinary shares was 5 cents per share (30 June 2016: 3 cents per share). No dividends were paid during the year ended 30 June 2017.

Share prices are subject to the influence of international metal prices and market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration. The company may issue options or performance rights to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of key management personnel with those of the company's shareholders.

Metallica Minerals Limited
Directors' report
30 June 2017

Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as determined by the Board of Directors. Except in so far as Directors and other key management personnel hold options or share rights over shares in the company, there is no relationship between remuneration policy and the company's performance.

Use of remuneration consultants

The company did not engage remuneration consultants during the financial year ended 30 June 2017.

Voting and comments made at the company's 29 November 2016 Annual General Meeting ('AGM')

The company received 98% of 'for' votes in relation to its remuneration report for the year ended 30 June 2016. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Metallica Minerals Limited:

- P Turnbull (appointed 12 December 2016)
- S Boulton (appointed 25 January 2017)
- Wang Ruobing (appointed 6 March 2017)
- Shu Zhang
- A L Gillies (resigned 2 June 2017)
- B J Casson (resigned 12 December 2016)
- Wu Shu (resigned 6 March 2017)

And the following persons:

- S J Slesarewich - Chief Executive Officer
- J K Haley - Chief Financial Officer and Company Secretary

	Short-term benefits		Post-employment	Long-term benefits	Share-based payments	
	Cash salary and fees	Annual leave provision	Super-annuation	Long service leave	Options, rights & shares	Total
2017	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>						
P Turnbull*	39,038	-	3,709	-	-	42,747
A L Gillies**	40,730	-	-	-	-	40,730
S Boulton*	16,719	-	1,588	-	-	18,307
S Zhang (alternate)	45,500	-	-	-	-	45,500
B J Casson**	27,000	-	-	-	-	27,000
<i>Other Key Management Personnel:</i>						
S J Slesarewich	237,443	9,247	22,557	-	46,503	315,750
J K Haley	88,382	15,298	31,618	1,325	-	136,623
	494,812	24,545	59,472	1,325	46,503	626,657

* Mr P Turnbull and Mr S Boulton were appointed Directors on 12 December 2016 and 25 January 2017 respectively.

** Mr B Casson and Mr A Gillies resigned as Directors on 12 December 2016 and 2 June 2017 respectively.

Dr Wu Shu (Non-executive director) resigned on 6 March 2017 and Mr Wang Ruobing (Non-executive Director) was appointed in his stead. Both Directors did not receive any remuneration during the 2017 financial year.

Metallica Minerals Limited
Directors' report
30 June 2017

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Other	Annual leave provision	Super-annuation	Long service leave	Options, rights & shares
2016	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>						
B J Casson	63,500	-	-	-	-	-
A L Gillies*	123,245	23,868	(4,475)	7,875	-	54,223
S Zhang (alternate)	38,500	-	-	-	-	-
<i>Other Key Management Personnel:</i>						
S J Slesarewich	225,968	-	9,003	21,467	-	89,032
J K Haley	88,512	-	288	31,488	2,650	-
	539,725	23,868	4,816	60,830	2,650	143,255
						775,144

* Mr Andrew Gillies was Managing Director until 13 July 2015 and a Non-Executive Director thereafter. Amounts received in his position as an Executive Director amounted to \$140,518, made up of cash salary and fees of \$78,420, superannuation of \$7,875 and share based payments of \$54,223. The other short term benefits are consultancy fees, subsequent to Mr Gillies becoming a Non-executive Director, of \$23,868 paid or payable to Golden Breed Pty Ltd, of which Mr Gillies is a director and beneficiary.

The calculated accounting value of options, issued subject to shareholder approval, increased to a higher level than at the time of the decision to issue the options. That higher price has since reduced back substantially and the deemed value would be considerably less if recalculated now.

Dr Wu Shu (Non-executive director) did not receive any remuneration during the 2016 financial year.

The proportion of remuneration linked to performance (i.e. options) and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2017	2016	2017	2016	2017	2016
<i>Non-Executive Directors:</i>						
P Turnbull	100%	-	-	-	-	-
A L Gillies	100%	74%	-	-	-	26%
S Boulton	100%	-	-	-	-	-
S Zhang	100%	100%	-	-	-	-
B J Casson	100%	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
S J Slesarewich	85%	74%	-	-	15%	26%
J K Haley	100%	100%	-	-	-	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Simon Joseph Slesarewich
Title:	Chief Executive Officer
Agreement commenced:	2 July 2017
Term of agreement:	Ongoing
Details:	The contract may be terminated by 18 weeks' notice from either party. The contract is to be reviewed by the Board of Directors every 2 years. The contract provides for an annual base salary of \$280,000 per annum (inclusive of the minimum statutory superannuation contributions) and an annual cash bonus of up to 50% of Simon Slesarewich's total financial remuneration. The cash bonus is dependent on the achievement of KPI's. The contract provides for payment of 12 months of base salary and 100% of any short term and long term incentives if control of the company changes.

In terms of Simon Slesarewich's previous service agreement, Simon was also entitled to the following options to acquire shares in the company:

- (a) 4 million options that vested on commencement of employment. The first tranche of 2 million options at an exercise price of at 7.5 cents per option expired on 1 July 2016 and the second tranche of 2 million at an exercise price of 10 cents per option expired unexercised on 31 December 2016;
- (b) 2 million options at an exercise price of 12.5 cents per option, vested on 14 July 2016 and expired unexercised on 12 July 2017; and
- (c) 2 million options at an exercise price of 15 cents per option, vesting on the date on which the Board of Directors resolves to develop a bauxite mine in which the company holds at least a 40% interest. These options, which were due to expire on 12 July 2018, have been cancelled.

Name:	John Kevin Haley
Title:	Chief Financial Officer and Company Secretary
Agreement commenced:	1 July 2009
Term of agreement:	Ongoing
Details:	The contract may be terminated by 1 months' notice from either party. The contract is to be reviewed annually by the Board of Directors and was last reviewed in December 2015. Following this review the base salary including the superannuation guarantee levy remained unchanged at \$120,000. The contract provides for payment of 6 months of base salary if control of the company changes or John Haley's employment is terminated. John was also entitled to 1,000,000 options to acquire shares in the company at 10 cents per share. 500,000 options were granted on 20 December 2013 and 500,000 options were granted on 21 August 2014. The options expired unexercised on 31 December 2016.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares granted to directors and other key management personnel as part of compensation during the year ended 30 June 2017.

Metallica Minerals Limited
Directors' report
30 June 2017

Options

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

Name	Number of options granted during the year 2017	Number of options granted during the year 2016	Number of options vested during the year 2017	Number of options vested during the year 2016
A L Gillies	-	2,000,000	-	2,000,000
S J Slesarewich	-	8,000,000	2,000,000	4,000,000

For the options that lapsed during the year, the value of the options at the date they lapsed was nil.

Details of options over ordinary shares that lapsed for directors and other key management personnel during the year ended 30 June 2017 are set out below:

Name	Grant date	Vesting date	Number of options granted	Number of options lapsed
A L Gillies	24 November 2015	31 December 2016	2,000,000	2,000,000
S J Slesarewich	13 July 2015	1 July 2016	2,000,000	2,000,000
S J Slesarewich	13 July 2015	31 December 2016	2,000,000	2,000,000
J K Haley	20 December 2013	31 December 2016	500,000	500,000
J K Haley	21 August 2014	31 December 2016	500,000	500,000

Share rights

The terms and conditions of each grant of share rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of rights granted	Grant date	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
S J Slesarewich*	1,000,000	29 Nov 2016	7 March 2017	30 June 2017	\$0.0000	\$0.040

* 1,000,000 share rights were granted to the Simon Slesarewich (Chief Executive Officer) in lieu of a short term incentive

Share rights granted carry no dividend or voting rights.

Values of share rights over ordinary shares granted and exercised for directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

Name	Value of rights granted during the year \$	Value of rights exercised during the year \$
S J Slesarewich	40,000	40,000

Metallica Minerals Limited
Directors' report
30 June 2017

Equity instruments issued on exercise of remuneration options/rights granted during the year

Details of equity instruments issued during the year to key management personnel as a result of options and share rights exercised that had been granted as compensation during the year ended 30 June 2017 are as follows:

Name	Date options/rights granted	Number of ordinary shares issued	Number of options/rights exercised	Amounts paid per share \$
S J Slesarewich	29 November 2016	1,000,000	1,000,000	-

Additional information

The earnings of the consolidated entity for the five years to 30 June 2017 are summarised below:

	2017 \$	2016 \$	2015 \$	2014 \$	2013 \$
Profit/(loss) after income tax	(2,559,121)	(5,747,331)	(7,722,353)	(15,333,124)	(20,008,012)

The factors that are considered to affect Total Shareholders Return ('TSR') are summarised below:

	2017	2016	2015	2014	2013
Share price at financial year end (\$)	0.05	0.03	0.06	0.04	0.09
Basic earnings/(loss) per share (cents per share)	(1.05)	(3.23)	(4.65)	(9.55)	(14.13)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Options/rights exercised during the year	Additions	Disposals/ other*	Balance at the end of the year
<i>Ordinary shares</i>					
S Boulton	-	-	1,000,000	-	1,000,000
S J Slesarewich	-	1,000,000	666,667	-	1,666,667
J K Haley	75,000	-	50,000	-	125,000
A L Gillies	11,140,000	-	-	(11,140,000)	-
	<u>11,215,000</u>	<u>1,000,000</u>	<u>1,716,667</u>	<u>(11,140,000)</u>	<u>2,791,667</u>

* Includes the removal from the table of the shareholdings for key management personnel who have either resigned during the period or are no longer considered to be a key management person.

None of the shares above are held nominally by the directors or any of the other key management personnel.

Mr Wang Ruobing (Non-executive Director) is a director of Jien Mining Pty Ltd which holds 40,099,678 shares in Metallica Minerals Limited.

Metallica Minerals Limited
Directors' report
30 June 2017

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted*	Exercised	Expired/ forfeited/ other**	Balance at the end of the year
<i>Options over ordinary shares</i>					
S Boulton	-	500,000	-	-	500,000
S J Slesarewich	8,000,000	166,667	-	(4,000,000)	4,166,667
J K Haley	1,000,000	-	-	(1,000,000)	-
A L Gillies	2,000,000	170,000	-	(2,170,000)	-
	<u>11,000,000</u>	<u>836,667</u>	<u>-</u>	<u>(7,170,000)</u>	<u>4,666,667</u>

* Granted under the terms of a renounceable rights offer

** For the options that lapsed during the year, the value of the options at the date they lapsed was nil.

	Vested and exercisable	Unvested	Balance at the end of the year
<i>Options over ordinary shares</i>			
S Boulton	500,000	-	500,000
S J Slesarewich	<u>2,166,667</u>	<u>2,000,000</u>	<u>4,166,667</u>
	<u>2,666,667</u>	<u>2,000,000</u>	<u>4,666,667</u>

No other key management personnel held options.

Share rights holding

The number of share rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Share rights over ordinary shares</i>					
S J Slesarewich	-	1,000,000	(1,000,000)	-	-
	<u>-</u>	<u>1,000,000</u>	<u>(1,000,000)</u>	<u>-</u>	<u>-</u>

* The Board of Directors determined that a total of 1,000,000 rights would be granted to Simon Slesarewich - Chief Executive Officer, contingent on shareholder approval of the Company's Incentive Plan. The Incentive Plan received approval at the Company's Annual General Meeting on 29 November 2016.

Loans to key management personnel and their related parties

There were no loans owing by key management personnel of the group, including their close family members and entities related to them, during the financial year ended 30 June 2017.

Other transactions with key management personnel and their related parties

There were no other transactions with key management personnel of the group, including their close family members and entities related to them, during the financial year ended 30 June 2017.

This concludes the remuneration report, which has been audited.

Metallica Minerals Limited
Directors' report
30 June 2017

Shares under option

Unissued ordinary shares of Metallica Minerals Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
3 August 2011	No expiry date*	\$0.7000	1,000,000
13 April 2017**	30 September 2018	\$0.0850	<u>38,000,102</u>
			<u><u>39,000,102</u></u>

* These options will expire 3 years after the decision to mine at Lucknow or Kokomo is made.

** Options issued under a renounceable entitlement offer.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

No options were granted to the directors or any of the five highest remunerated officers of the company since the end of the financial year.

Shares under share rights

There were no unissued ordinary shares of Metallica Minerals Limited under share rights outstanding at the date of this report.

Shares issued on the exercise of options

The following ordinary shares of Metallica Minerals Limited were issued during the year ended 30 June 2017 and up to the date of this report on the exercise of options granted:

Date options exercised	Exercise price	Number of shares issued
7 March 2017 - 13 April 2017	\$0.0450	7,203,143
25 May 2017	\$0.0422	165,877
14 June 2017	\$0.0422	2,350,978
13 July 2017	\$0.0422	<u>20,215,706</u>
		<u><u>29,935,704</u></u>

Shares issued on the exercise of share rights

The following ordinary shares of Metallica Minerals Limited were issued during the year ended 30 June 2017 and up to the date of this report on the exercise of share rights granted:

Date share rights exercised	Exercise price	Number of shares issued
7 March 2017	\$0.0000	1,000,000

Indemnity and insurance of officers

Each of the Directors and the Secretary of the company have entered into a Deed with the company whereby the company has provided certain contractual rights of access to books and records of the company to those Directors and Secretary. The company has insured all of the Directors of Metallica Minerals Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act 2001 does not require disclosure of the information in these circumstances.

Indemnity and insurance of auditor

Other than the standard indemnities, the company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

Metallica Minerals Limited
Directors' report
30 June 2017

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of BDO Audit Pty Ltd

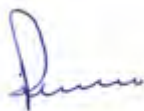
There are no officers of the company who are former partners of BDO Audit Pty Ltd.

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 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



P Turnbull
Chairman

21 September 2017
Brisbane

Metallica Minerals Limited and controlled entities
Auditor's independence declaration



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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

As lead auditor of Metallica Minerals Limited for the year ended 30 June 2017, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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 faint circular stamp or watermark.

A J Whyte
Director

BDO Audit Pty Ltd

Brisbane, 21 September 2017

Metallica Minerals Limited

Contents

30 June 2017

Statement of comprehensive income	19
Statement of financial position	20
Statement of changes in equity	21
Statement of cash flows	22
Notes to the financial statements	23
Directors' declaration	50
Independent auditor's report to the members of Metallica Minerals Limited	51
Shareholder information	55

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 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 21 September 2017. The directors have the power to amend and reissue the financial statements.

Metallica Minerals Limited
Statement of comprehensive income
For the year ended 30 June 2017

	Note	Consolidated 2017 \$	2016 \$
Income			
Revenue	4	134,381	323,565
Other income	5	398,020	1,025,904
Expenses			
Advertising and promotional costs		(73,922)	(21,770)
Raw materials and consumables used		(170)	(30,139)
Rental expenses		(194,596)	(191,500)
Employee benefits expense	6	(824,489)	(1,136,571)
Exploration costs		(370,374)	(377,835)
Depreciation and amortisation expense	6	(31,855)	(4,626)
Impairment of property, plant and equipment	12	(950,481)	(295,512)
Impairment of mining assets		-	(173,023)
Listing fees and share register expenses		(100,151)	(56,991)
Impairment of exploration and evaluation expenditure	13	-	(3,962,311)
Legal fees		(74,422)	(135,695)
Airfares and conferences		(96,019)	(77,748)
Professional fees		(146,865)	(117,413)
Other expenses		(226,812)	(512,009)
Finance costs	6	(1,366)	(3,657)
Loss before income tax expense		(2,559,121)	(5,747,331)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Metallica Minerals Limited	21	(2,559,121)	(5,747,331)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Metallica Minerals Limited		<u>(2,559,121)</u>	<u>(5,747,331)</u>
		Cents	Cents
Basic earnings per share	34	(1.05)	(3.23)
Diluted earnings per share	34	(1.05)	(3.23)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Metallica Minerals Limited
Statement of financial position
As at 30 June 2017

	Note	Consolidated 2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	8	3,737,143	1,530,184
Trade and other receivables	9	91,258	63,869
Current tax receivable		-	300,000
Held to maturity investments	10	-	757,064
Other	11	-	37,029
Total current assets		<u>3,828,401</u>	<u>2,688,146</u>
Non-current assets			
Plant and equipment	12	1,011,315	1,993,651
Exploration and evaluation	13	957,648	296,290
Other	14	290,277	297,125
Total non-current assets		<u>2,259,240</u>	<u>2,587,066</u>
Total assets		<u>6,087,641</u>	<u>5,275,212</u>
Liabilities			
Current liabilities			
Trade and other payables	15	158,801	302,768
Employee benefits	16	102,498	35,144
Total current liabilities		<u>261,299</u>	<u>337,912</u>
Non-current liabilities			
Employee benefits	18	-	43,727
Total non-current liabilities		<u>-</u>	<u>43,727</u>
Total liabilities		<u>261,299</u>	<u>381,639</u>
Net assets		<u>5,826,342</u>	<u>4,893,573</u>
Equity			
Issued capital	19	35,650,900	32,205,513
Reserves	20	8,093,236	8,046,733
Accumulated losses	21	(37,917,794)	(35,358,673)
Total equity		<u>5,826,342</u>	<u>4,893,573</u>

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

Metallica Minerals Limited
Statement of changes in equity
For the year ended 30 June 2017

Consolidated	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 year	-	-	(5,747,331)	(5,747,331)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(5,747,331)	(5,747,331)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 19)	1,602,052	-	-	1,602,052
Share-based payments (note 35)	-	143,255	-	143,255
Balance at 30 June 2016	<u>32,205,513</u>	<u>8,046,733</u>	<u>(35,358,673)</u>	<u>4,893,573</u>
Consolidated	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 year	-	-	(2,559,121)	(2,559,121)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,559,121)	(2,559,121)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 19)	3,445,387	-	-	3,445,387
Share-based payments (note 35)	-	46,503	-	46,503
Balance at 30 June 2017	<u>35,650,900</u>	<u>8,093,236</u>	<u>(37,917,794)</u>	<u>5,826,342</u>

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

Metallica Minerals Limited
Statement of cash flows
For the year ended 30 June 2017

	Note	Consolidated 2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		216,342	601,267
Payments to suppliers and employees (inclusive of GST)		(2,228,709)	(2,656,935)
		(2,012,367)	(2,055,668)
Interest received		60,251	12,709
Interest and other finance costs paid		(1,366)	(3,657)
Net cash used in operating activities	33	(1,953,482)	(2,046,616)
Cash flows from investing activities			
Net cash inflow on reduction of interest in joint operation and additional capital introduced		17,500	675,000
Payments for property, plant and equipment	12	-	(642,041)
Payments for held to maturity investments		-	(506,407)
Payments for mining development assets		-	(184,546)
Payments for exploration and evaluation	13	(811,653)	(430,224)
Receipt of Research and Development tax offset		450,295	-
Proceeds from held to maturity investments		757,064	-
Proceeds from disposal of property, plant and equipment, and exploration assets		20,000	1,601,061
Proceeds from entering into SCONI farm-in agreement		275,000	-
Receipt for security deposit		6,848	21,150
Net cash from investing activities		715,054	533,993
Cash flows from financing activities			
Proceeds from issue of shares	19	3,510,901	1,821,140
Share issue transaction costs	19	(65,514)	(219,088)
Net cash from financing activities		3,445,387	1,602,052
Net increase in cash and cash equivalents		2,206,959	89,429
Cash and cash equivalents at the beginning of the financial year		1,530,184	1,440,755
Cash and cash equivalents at the end of the financial year	8	<u>3,737,143</u>	<u>1,530,184</u>

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. None of the new standards and amendments to standards affected any of the amounts recognised in the current period or any prior period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

For the year ended 30 June 2017 the consolidated entity incurred a net loss after tax of \$2,559,121 and had net cash outflows from operating activities of \$1,953,482.

The Directors have concluded that the going concern basis of preparation of the financial statements is appropriate and any uncertainty regarding going concern is mitigated by the following:

- At 30 June 2017 the consolidated entity had net current assets of \$3,567,102 and total net assets of \$5,826,342. Cash and cash equivalents at 30 June 2017 amounted to \$3,737,143.
- Subsequent to the end of the financial year, the company raised \$853,102 (before expenses) from the conversion of all of the outstanding 20,215,706 listed options (ASX code: MLMO).
- On 10 August 2017, the company announced that it had executed binding agreements with a private company to provide a \$2 million standby credit facility. The private company is a related party to an existing shareholder of the company.
- On 2 September 2017, the company entered into a conditional agreement to dispose of its interest in the SCONI project for \$10 million in cash and shares in Australian Mines Limited (ASX code: AUZ). \$3.5 million in cash and \$1.5 million in AUZ shares is expected to be received under this agreement in the next 12 months.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for the revaluation of available-for-sale financial assets.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Metallica Minerals Limited ('company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. Metallica Minerals Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Note 1. Significant accounting policies (continued)

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Metallica Minerals Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Note 1. Significant accounting policies (continued)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Joint arrangements

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Metallica Minerals Limited has only one joint operation at 30 June 2017 and no joint ventures.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Metallica Minerals Limited has recognised its share of the jointly held assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications. Details of the joint operation are set out in note 31.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduces the carrying amount of the investment.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Note 1. Significant accounting policies (continued)

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Restoration, rehabilitation and environmental expenditure

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Estimates of future costs are reassessed at least annually. Changes in estimates relating to areas of interest in the exploration and evaluation phase are dealt with retrospectively, with any amounts that would have been written off or provided against under the accounting policy for exploration and evaluation immediately written off.

Restoration from exploration drilling is carried out at the time of drilling and accordingly no provision is required.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Comparatives

Where required by the Australian Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 1. Significant accounting policies (continued)

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 January 2018. The reported results and position of the consolidated entity will not change on adoption of this standard as it does not result in any changes to the consolidated entity's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018. The consolidated entity currently does not have any significant revenue contracts with customers that may be impacted by this standard.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments will have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Impairment of plant and equipment

The consolidated entity assesses impairment of plant and equipment at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

Significant judgements and assumptions were required in making an estimate of the fair value of the capital works in progress associated with the Oresome joint operation. The estimated fair value was determined based on enquiries of independent parties (refer note 12).

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 3. 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.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 4. Revenue

	Consolidated	
	2017	2016
	\$	\$
<i>Sales revenue</i>		
Sale of goods	-	15,149
<i>Other revenue</i>		
Interest	59,832	14,536
Royalty	42,722	250,672
Other revenue	31,827	43,208
	<u>134,381</u>	<u>308,416</u>
Revenue	<u>134,381</u>	<u>323,565</u>

Accounting policy for revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the consolidated entity will comply with all the attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate. Government grants relating to the purchase or development of assets, including exploration and evaluation activities, are deducted from the carrying value of the asset.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Note 5. Other income

	Consolidated	
	2017	2016
	\$	\$
Net gain on reduction of interest in joint operation and introduction of additional equity	17,500	179,644
Net gain on disposal of assets including inventory and property, plant and equipment	90,000	682,639
Income received on entering into SCONI farm-in agreement	275,000	-
Other income	15,520	163,621
	<u>398,020</u>	<u>1,025,904</u>
Other income	<u>398,020</u>	<u>1,025,904</u>

Note 6. Expenses

	Consolidated	
	2017	2016
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Aggregate employee benefits expense</i>		
Defined contribution superannuation expense	60,525	69,344
Equity-settled share-based payments	46,503	143,255
Other employee benefits expenses	773,884	948,043
	<u>880,912</u>	<u>1,160,642</u>
<i>Less</i>		
Employee costs capitalised to exploration	<u>(56,423)</u>	<u>(24,071)</u>
Employee benefits expense	<u>824,489</u>	<u>1,136,571</u>
<i>Depreciation</i>		
Plant and equipment	<u>31,855</u>	<u>4,626</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	<u>1,366</u>	<u>3,657</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<u>182,441</u>	<u>182,500</u>

Note 7. Income tax expense

	Consolidated	
	2017	2016
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	<u>(2,559,121)</u>	<u>(5,747,331)</u>
Tax at the statutory tax rate of 27.5% (2016: 30%)	<u>(703,758)</u>	<u>(1,724,199)</u>
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Tax profit on disposal of asset	-	204,792
Gain on reduction in interest in joint venture	(4,813)	(53,893)
Share based payments	<u>12,788</u>	<u>42,977</u>
	<u>(695,783)</u>	<u>(1,530,323)</u>
Current year tax losses not recognised	695,783	1,316,933
Adjustment to prior periods unrecognised tax losses	<u>-</u>	<u>213,390</u>
Income tax expense	<u>-</u>	<u>-</u>

Note 7. Income tax expense (continued)

	Consolidated	
	2017	2016
	\$	\$
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Unused tax losses	5,454,318	5,620,684
Exploration and evaluation expenditure	(295,935)	(279,679)
Other deductible temporary differences	803,553	542,903
	<u>5,961,936</u>	<u>5,883,908</u>
Total deferred tax assets not recognised		

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed. The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2017	2016
	\$	\$
Cash on hand	50	50
Cash at bank	1,628,268	1,530,134
Cash on deposit	2,108,825	-
	<u>3,737,143</u>	<u>1,530,184</u>

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 9. Current assets - trade and other receivables

	Consolidated	
	2017	2016
	\$	\$
Trade receivables	9,668	100,964
Less: Provision for impairment of receivables	(5,191)	(50,000)
	<u>4,477</u>	<u>50,964</u>
Other receivables	79,730	10,904
Interest receivable	1,408	1,827
BAS receivable	5,643	174
	<u>91,258</u>	<u>63,869</u>

At 30 June 2017 trade receivables of \$5,191 (2016: \$50,000) were past due, and have been impaired.

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Note 9. Current assets - trade and other receivables (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Note 10. Current assets - held to maturity investments

	Consolidated	
	2017	2016
	\$	\$
Term deposits	-	757,064

Note 11. Current assets - other

	Consolidated	
	2017	2016
	\$	\$
Prepayments	-	37,029

Note 12. Non-current assets - plant and equipment

	Consolidated	
	2017	2016
	\$	\$
Plant and equipment - at cost	972,289	972,289
Less: Accumulated depreciation	(802,429)	(793,884)
Less: Impairment	(158,545)	-
	<u>11,315</u>	<u>178,405</u>
Motor vehicles - at cost	47,539	47,539
Less: Accumulated depreciation	(47,539)	(24,229)
	<u>-</u>	<u>23,310</u>
Capital works in progress	2,638,837	2,638,837
Less: Impairment	(1,638,837)	(846,901)
	<u>1,000,000</u>	<u>1,791,936</u>
	<u><u>1,011,315</u></u>	<u><u>1,993,651</u></u>

Note 13. Non-current assets - exploration and evaluation (continued)

Reconciliations

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

Consolidated	Exploration & Evaluation \$	Total \$
Balance at 1 July 2015	5,018,477	5,018,477
Additions	430,224	430,224
Disposals	(854,126)	(854,126)
Impairment of assets	(3,962,311)	(3,962,311)
R&D tax offset	(300,000)	(300,000)
Write off of assets	(9,452)	(9,452)
Reduction in interest in joint operation	(26,522)	(26,522)
Balance at 30 June 2016	296,290	296,290
Additions	811,653	811,653
R&D tax offset	(150,295)	(150,295)
Balance at 30 June 2017	<u>957,648</u>	<u>957,648</u>

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent upon successful development and commercial exploitation or sale of the respective areas of interest.

The Directors undertook a review of the carrying value of the SCONI Project as at 30 June 2016 resulting in the carrying value of the project been fully impaired at 30 June 2016.

Accounting policy for exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Note 14. Non-current assets - other

	Consolidated 2017 \$	2016 \$
Security deposits	<u>290,277</u>	<u>297,125</u>

Note 15. Current liabilities - trade and other payables

	Consolidated	
	2017	2016
	\$	\$
Trade payables	133,266	207,182
Other payables	25,535	95,586
	<u>158,801</u>	<u>302,768</u>

Refer to note 23 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 16. Current liabilities - employee benefits

	Consolidated	
	2017	2016
	\$	\$
Annual leave	57,446	35,144
Long service leave	45,052	-
	<u>102,498</u>	<u>35,144</u>

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 17. Non-current liabilities - deferred tax

	Consolidated	
	2017	2016
	\$	\$
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Property, plant and equipment	(465,414)	(222,580)
Exploration and evaluation expenditure	295,935	279,679
Mining assets	(191,952)	(209,402)
Carried forward tax losses	507,618	263,224
Employee benefits	(28,187)	(23,661)
Other deductible capital raising costs	(112,700)	(82,753)
Other temporary differences	(5,300)	(4,507)
	<u>-</u>	<u>-</u>

Note 18. Non-current liabilities - employee benefits

	Consolidated	
	2017	2016
	\$	\$
Long service leave	<u>-</u>	<u>43,727</u>

Accounting policy for other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Note 19. Equity - issued capital

	2017	Consolidated	2017	2016
	Shares	2016	\$	\$
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>302,231,715</u>	<u>227,311,635</u>	<u>35,650,900</u>	<u>32,205,513</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2015	166,891,830		30,603,461
Shares for services rendered	11 November 2015	548,486	\$0.0460	25,000
Rights issue	27 April 2016	59,871,319	\$0.0300	1,796,140
Share issue costs				(219,088)
Balance	30 June 2016	227,311,635		32,205,513
Exercise of options	7 March - 14 June 2017	9,719,998	\$0.0450	438,651
Exercise of share rights	8 March 2017	1,000,000	\$0.0000	-
Rights issue	13 April - 20 April 2017	64,200,082	\$0.0520	3,338,404
Share issue costs				(331,668)
Balance	30 June 2017	<u>302,231,715</u>		<u>35,650,900</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Shares for services rendered

2016 - On 11 November 2015 the company issued 548,486 ordinary shares at 4.558 cents per share to a third party for consulting services rendered.

2017 - The company issued 5,779,769 ordinary shares at 5.2 cents per share and 8,586,885 free listed options at the discretion of the underwriter of the renounceable rights issue.

Note 19. Equity - issued capital (continued)

Rights issues

2016 - On 27 April 2016 the company announced that it had successfully completed a renounceable rights issue offered on the basis of 2 new shares for every 5 shares held at 3 cents per share. With every 2 new shares, investors received a free listed option with an exercise price of 4.5 cents and expiring on 30 June 2017. A total of 59,871,319 ordinary shares were issued, raising \$1,796,140 before transaction costs.

2017 - Completed a renounceable rights issue offered on the basis of 1 new share for every 4 shares held at 5.2 cents per share. With every 2 new shares, investors received a free listed option with an exercise price of 8.5 cents. A total of 64,200,082 ordinary shares were issued, raising \$3,338,404 before transaction costs.

Options

2017 - The options exercised relate to options granted in terms of the renounceable rights issue that was completed in the 2016 financial year.

Share rights

2017 - Information relating to the share rights granted and exercised during the financial year and rights outstanding at the end of the reporting period, is set out in note 35.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

The capital structure of the consolidated entity consists of equity attributable to equity holders of the parent entity comprising of issued capital, reserves and accumulated losses as disclosed in the statement of changes in equity. In common with many other exploration companies, the parent raises finance for the consolidated entity's exploration and appraisal activities in discrete tranches.

Management effectively manages the consolidated entity's capital by assessing the consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

There are no externally imposed capital requirements.

The capital risk management policy remains unchanged from the 2016 Annual Report.

The consolidated entity monitors capital on the basis of its working capital position (i.e. liquidity risk). The net working capital of the consolidated entity at 30 June 2017 was \$3,567,102 (2016: \$2,350,234).

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 20. Equity - reserves

	Consolidated	
	2017	2016
	\$	\$
Share-based payments reserve	<u>8,093,236</u>	<u>8,046,733</u>

Note 20. Equity - reserves (continued)

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Share-based payments reserve \$	Total \$
Consolidated		
Balance at 1 July 2015	7,903,478	7,903,478
Share based payments	143,255	143,255
Balance at 30 June 2016	8,046,733	8,046,733
Share based payments	46,503	46,503
Balance at 30 June 2017	<u>8,093,236</u>	<u>8,093,236</u>

Note 21. Equity - accumulated losses

	Consolidated	
	2017	2016
	\$	\$
Accumulated losses at the beginning of the financial year	(35,358,673)	(29,611,342)
Loss after income tax expense for the year	<u>(2,559,121)</u>	<u>(5,747,331)</u>
Accumulated losses at the end of the financial year	<u>(37,917,794)</u>	<u>(35,358,673)</u>

Note 22. Equity - dividends

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Franking credits

	Consolidated	
	2017	2016
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>583,794</u>	<u>583,794</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 23. Financial instruments

Financial risk management objectives

Risk management is carried out under policies set by the board of directors. The board provides principles for overall risk management, as well as policies covering specific areas.

Note 23. Financial instruments (continued)

The board monitors and manages the financial risk relating to the operations of the consolidated entity. The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

Foreign currency risk

The consolidated entity does not currently have any significant exposure to foreign currency risk.

Price risk

The consolidated entity does not currently have any significant exposure to price risk.

Interest rate risk

The consolidated entity's main interest rate risk arises from cash and cash equivalents and held to maturity investments.

	2017		2016	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Consolidated				
Cash at bank	1.16%	1,628,268	0.90%	1,530,134
Cash on deposit	1.83%	2,108,825	-	-
Held to maturity investments	-	-	2.29%	757,064
Net exposure to cash flow interest rate risk		<u>3,737,093</u>		<u>2,287,198</u>

At 30 June 2017, if interest rates had increased/decreased by 25 basis points (bps) from the year end rates with all other variables held constant, post-tax loss for the year would have been \$9,343 lower/higher (2016 changes of 25 bps: \$5,718 lower/higher), mainly as a result of higher/lower interest income from cash and cash equivalents and held to maturity investments.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 23. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2017						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	133,266	-	-	-	133,266
Other payables	-	25,535	-	-	-	25,535
Total non-derivatives		158,801	-	-	-	158,801
	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2016						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	207,182	-	-	-	207,182
Other payables	-	95,586	-	-	-	95,586
Total non-derivatives		302,768	-	-	-	302,768

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Due to their short-term nature the carrying amounts of financial instruments reflect their fair value.

Note 24. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2017	2016
	\$	\$
Short-term employee benefits	519,357	568,409
Post-employment benefits	59,472	60,830
Long-term benefits	1,325	2,650
Share-based payments	46,503	143,255
	<u>626,657</u>	<u>775,144</u>

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the company:

	Consolidated	
	2017	2016
	\$	\$
<i>Audit services - BDO Audit Pty Ltd</i>		
Audit or review of the financial statements	50,716	48,000
<i>Other services - BDO Audit Pty Ltd</i>		
Tax compliance services	22,250	27,978
	<u>72,966</u>	<u>75,978</u>

Note 26. Contingent liabilities

The consolidated entity does not believe it has any contingent liability arising from any possible Native Title or other claims.

Royalty Agreements

On NORNICO Pty Limited (formerly known as QLD Gold Pty Limited) acquiring the Bell Creek Mining Leases, and the Minnamoolka and Kokomo tenements the company entered into royalty agreements with the previous owners of these tenements.

The royalty agreements between Metallica Minerals Limited and third parties are summarised below.

Tenement/Company/Terms of the Royalty Agreement

ML 20549 - AO Australia Pty Limited

\$1.00/t for the first 5 Mt of ore produced and \$2.00/t for production of ore in excess of 5 Mt.

ML 10342 - Whim Creek Consolidated NL

\$50,000 per year upon granting of an ML, reduced by a royalty payable to WCC of \$1.00/ per dry tonne for production to 1 Mt of ore, \$1.50 per dry tonne from 1 – 3 Mt of ore and \$2.00/ dry tonne for production > 3 Mt of ore.

ML 10366 - Renison & Goldfields

\$1.00/t for the first 500,000t of ore produced and \$1.50/t for production in excess of 500,000t.of ore.

Indigenous Land Use Agreement (ILUA)

Metallica has negotiated an Indigenous Land Use Agreement (ILUA) with the Gugu Badhun People as the Traditional Landowners in the southern portion of the NORNICO project area. The ILUA was signed in Townsville on the 24th February 2005 and covers all of Metallica's southern NORNICO tenements from Broken River in the south to the Burdekin River in the North. The ILUA (QI2005/002) was approved by the National Native Title Tribunal (NNTT) on the 24th of August 2005 and is valid for 20 years.

Under the terms of the agreement, Metallica is required to pay for and facilitate a liaison committee which has to meet every 6 months. Metallica also has to pay a fixed daily amount to members of the Cultural Heritage Survey and Monitoring team, and pay an annual rental fee per exploration tenement for each Exploration Permit for Minerals (EPM) held by Metallica which fall within the area covered by the ILUA. Metallica has suspended the project and agreement, including the payments under the agreement, from late 2013.

The tenements which currently fall within ILUA QI2005/002 are listed below:

EPM 14518 – Mt Garnet South #2 (portion only)

EPM 10699 – Kokomo

EPM13873 – Six Mile

EPM 14070 – Greenvale North

EPM 14181 – Lucky Downs

EPM 14066 – Greenvale South

EPM 14381 – Greenvale South #2

Note 26. Contingent liabilities (continued)

Traditional land owner and access agreement

The company has entered into binding agreements with Ngan Aak-Kunch Aboriginal Corporation on behalf of the Wik and Wik Way People in regard to native title, cultural heritage management and landholder compensation for the Urquhart Bauxite project.

Note 27. Commitments

	Consolidated	
	2017	2016
	\$	\$
<i>Commitments for maintaining exploration tenements payable</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	7,824	7,560
One to five years	31,296	30,240
	<u>39,120</u>	<u>37,800</u>
<i>Tenement rentals</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	140,280	118,213
One to five years	561,122	472,850
	<u>701,402</u>	<u>591,063</u>
<i>Operating lease commitments payable</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	97,453	119,853
One to five years	-	19,611
	<u>97,453</u>	<u>139,464</u>
<i>Oresome Joint Venture - the group's share of the tenement commitments made jointly with other joint venturers</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	101,454	87,284
One to five years	405,818	349,135
	<u>507,272</u>	<u>436,419</u>

Operating lease commitments includes contracted amounts for offices and equipment under non-cancellable operating leases. The office lease expires within 1 year with an option to extend. On renewal, the terms of the leases are renegotiated.

Note 28. Related party transactions

Parent entity

Metallica Minerals Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Joint operations

Interests in joint operations are set out in note 31.

Note 28. Related party transactions (continued)

Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2017	2016
	\$	\$
Other transactions:		
Subscription for new ordinary shares by key management personnel as a result of the vesting of share rights	40,000	-
Subscription for new ordinary shares by key management personnel as a result of the rights issue	69,680	-

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of comprehensive income

	Parent	
	2017	2016
	\$	\$
Loss after income tax	(2,447,527)	(3,417,337)
Total comprehensive income	(2,447,527)	(3,417,337)

Statement of financial position

	Parent	
	2017	2016
	\$	\$
Total current assets	3,824,676	1,891,337
Total assets	4,120,267	2,520,577
Total current liabilities	261,195	237,959
Total liabilities	7,453,585	6,898,260
Equity		
Issued capital	35,650,900	32,205,513
Share-based payments reserve	8,093,236	8,046,733
Accumulated losses	(47,077,454)	(44,629,929)
Total deficiency in equity	(3,333,318)	(4,377,683)

Note 29. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2017 and 30 June 2016.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2017 and 30 June 2016.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
Oresome Australia Pty Limited	Australia	100.00%	100.00%
Greenvale Operations Pty Limited	Australia	100.00%	100.00%
Scandium Pty Limited	Australia	100.00%	100.00%
NORNICO Pty Limited	Australia	100.00%	100.00%
Phoenix Lime Pty Limited	Australia	100.00%	100.00%
Lucky Break Operations Pty Limited	Australia	100.00%	100.00%
Touchstone Resources Pty Limited	Australia	100.00%	100.00%
Oresome Bauxite Pty Limited*	Australia	100.00%	100.00%

* Oresome Bauxite Pty Limited is a wholly owned subsidiary of Oresome Australia Pty Limited.

Unless otherwise stated, the subsidiaries have share capital consisting solely of ordinary shares that are held directly by the consolidated entity, and the proportion of ownership interests is equal to the proportion of voting rights held by the consolidated entity. The country of incorporation is also their principal place of business.

Significant restrictions

There are no significant restrictions on the ability of the consolidated entity to access or use the assets and settle the liabilities of the consolidated entity.

Note 31. 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	
		2017 %	2016 %
Oresome Joint Venture	Australia	50.00%	50.00%

Note 31. Interests in joint operations (continued)

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 year ended 30 June 2017, Ozore and Metallica contributed additional capital of \$1,175,000 and \$1,140,000 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 32. Events after the reporting period

Conversion of options

Subsequent to the end of the financial year, the company raised \$853,102 (before expenses) from the conversion of all of the outstanding 20,215,706 listed options (ASX code: MLMO). Including previous conversions a total of \$1.27 million was raised from these options.

Credit facility

On 10 August 2017, the company announced that it had executed binding agreements with a private company to provide a \$2 million standby credit facility. The private company is a related party to an existing shareholder of the company.

Sale of SCONI Project

On 2 September 2017, the company entered into a conditional agreement to dispose of its interest in the SCONI project for \$10 million in cash and shares in Australian Mines Limited (ASX code: AUZ). The principal terms of the agreement are:

- Payment of \$3.5 million (Completion Payment) in cash by Australian Mines to Metallica on the Completion Date;
- Issuance of Australian Mines shares to Metallica to the value of \$1.5 million (based on a 30-day volume weighted average price) (Consideration Shares) upon the earlier of the completion of the Definitive Feasibility Study by Australian Mines or 30 June 2018;
- A further \$5 million in cash or issuance of Australian Mines shares (based on a 30-day volume weighted average price) (Production Payment) following the commencement of commercial production from the SCONI Project;
- Australian Mines shares issued to Metallica will be subject to a three-month escrow period;
- Metallica will obtain a caveat and mortgage over the SCONI tenements to protect its rights under the Agreement; and
- The termination of the Farm-In Joint Venture Agreement between Metallica and Australian Mines.

The Completion Payment is expected to be made five days after a number of conditions precedent are satisfied by Australian Mines, including obtaining shareholder approval for the Sale and Purchase Agreement (if required) and completing a capital raising to fund the Completion Payment.

The Agreement is subject to several other conditions precedent related to regulatory and other approvals and contains a number of other terms considered normal in an agreement of this nature. If the conditions precedent are not satisfied or waived within 60 business days then the Agreement will be terminated.

No other matter or circumstance has arisen since 30 June 2017 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 33. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2017	2016
	\$	\$
Loss after income tax expense for the year	(2,559,121)	(5,747,331)
Adjustments for:		
Depreciation and amortisation	31,855	4,626
Write off of property, plant and equipment	-	9,452
Share-based payments	46,503	143,255
Impairment of plant and equipment	950,481	295,512
Impairment of exploration and evaluation expenditure	-	3,962,311
Impairment of mining assets	-	173,023
Income received on entering into SCONI farm-in agreement	(275,000)	-
Net gain on reduction of interest in joint operation and introduction of additional equity	(17,500)	(179,644)
Net gain on disposal of assets including inventory and property, plant and equipment	(90,000)	(682,639)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	42,611	126,788
Decrease in inventories	-	147,100
Decrease in prepayments	37,029	15,010
Decrease in trade and other payables	(143,967)	(150,744)
Increase/(decrease) in employee benefits	23,627	(163,335)
Net cash used in operating activities	<u>(1,953,482)</u>	<u>(2,046,616)</u>

Note 34. Earnings per share

	Consolidated	
	2017	2016
	\$	\$
Loss after income tax attributable to the owners of Metallica Minerals Limited	<u>(2,559,121)</u>	<u>(5,747,331)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>243,369,034</u>	<u>177,873,888</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>243,369,034</u>	<u>177,873,888</u>
	Cents	Cents
Basic earnings per share	(1.05)	(3.23)
Diluted earnings per share	(1.05)	(3.23)

Options are considered to be potential ordinary shares but were anti-dilutive in nature and therefore the diluted loss per share is the same as the basic loss per share.

Subsequent to the end of the financial year, the company issued 20,215,706 ordinary shares as a result of the conversion of options (refer note 32). This issue of shares would have changed significantly the number of ordinary shares outstanding at 30 June 2017 if these transactions had occurred before the end of the reporting period. The issue of shares has not been retrospectively adjusted in the calculation of earnings per share.

Note 34. Earnings per share (continued)

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Metallica Minerals Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 35. Share-based payments

Options

On 13 July 2015 the company granted 8,000,000 options to the Simon Slesarewich (CEO) in terms of his service agreement. The value of these options at grant date was \$89,032.

(a) 4 million options vested on commencement of employment. The first tranche of 2 million options were exercisable at 7.5 cents per option and expired on 1 July 2016 and the second tranche of 2 million options were exercisable at 10 cents per option and expired on 31 December 2016.

(b) 2 million options at an exercise price of 12.5 cents per option, vested on 14 July 2016 and expired on 12 July 2017.

(c) 2 million options at an exercise price of 15 cents per option, vesting on the date on which the Board of Directors resolves to develop a bauxite mine in which the company holds at least a 40% interest. These options expire on 12 July 2018.

On 24 November 2015 the company granted 2,000,000 options to Andrew Gillies, a Non-executive Director of the company. The options were exercisable at \$0.10 per option and expired unexercised on 31 December 2016. The value of these options at grant date was \$54,223. The grant of the options was to provide Andrew Gillies with reward and incentive for future services he would provide to the company to further the progress of the company.

Incentive Plan

On 24 October 2016 the Board of Metallica Minerals Ltd approved a long term incentive plan providing for the issue of share rights to key employees. The purpose of the incentive plan is to:

- (a) assist in the reward, retention and motivation of participants;
- (b) align the interests of participants with the interests of the company's shareholders;
- (c) promote the long-term success of the company and provide greater incentive for participants to focus on the company's longer term goals;
- (d) link the reward of participants to the performance of the company and the creation of shareholder value; and
- (e) provide participants with the opportunity to share in any future growth in value of the company.

Under the plan eligible participants may be granted share rights for nil consideration (unless otherwise provided under 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 share in the company.

In November 2016 the company granted 1,000,000 share rights to Simon Slesarewich (CEO) in lieu of a short term incentive. The fair value of the rights was \$40,000.

Note 35. Share-based payments (continued)

Set out below are summaries of options granted:

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
03/08/2011	03/08/2016	\$0.5000	1,000,000	-	-	(1,000,000)	-
20/12/2013	31/12/2016	\$0.1000	500,000	-	-	(500,000)	-
21/08/2014	31/12/2016	\$0.1000	500,000	-	-	(500,000)	-
13/07/2015	01/07/2016	\$0.0750	2,000,000	-	-	(2,000,000)	-
13/07/2015	31/12/2016	\$0.1000	2,000,000	-	-	(2,000,000)	-
13/07/2015	12/07/2017	\$0.1250	2,000,000	-	-	-	2,000,000
13/07/2015	12/07/2018	\$0.1500	2,000,000	-	-	-	2,000,000
24/11/2015	31/12/2016	\$0.1000	2,000,000	-	-	(2,000,000)	-
			12,000,000	-	-	(8,000,000)	4,000,000
Weighted average exercise price			\$0.1400	\$0.0000	\$0.0000	\$0.1400	\$0.1400

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
03/08/2011	03/08/2016	\$0.5000	1,000,000	-	-	-	1,000,000
20/12/2013	31/12/2016	\$0.1000	500,000	-	-	-	500,000
21/08/2014	31/12/2016	\$0.1000	500,000	-	-	-	500,000
13/07/2015	01/07/2016	\$0.0750	-	2,000,000	-	-	2,000,000
13/07/2015	31/12/2016	\$0.1000	-	2,000,000	-	-	2,000,000
13/07/2015	12/07/2017	\$0.1250	-	2,000,000	-	-	2,000,000
13/07/2015	12/07/2018	\$0.1500	-	2,000,000	-	-	2,000,000
24/11/2015	31/12/2016	\$0.1000	-	2,000,000	-	-	2,000,000
			2,000,000	10,000,000	-	-	12,000,000
Weighted average exercise price			\$0.3000	\$0.1100	\$0.0000	\$0.0000	\$0.1400

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.53 years (2016: 0.73 years).

Set out below are summaries of share rights granted under the incentive plan:

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
29/11/2016	30/06/2017	\$0.0000	-	1,000,000	(1,000,000)	-	-
			-	1,000,000	(1,000,000)	-	-

Measurement of fair value:

Share rights granted

The share rights that were granted during the 2017 financial year, were not subject to any performance conditions and vested at the discretion of the Board of Directors. These rights were valued at their intrinsic value at the vesting date.

The total expense arising from share-based payment transactions recognised during the period as part of employee benefits expense was \$46,503 (2016: \$143,255).

Note 35. Share-based payments (continued)

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Metallica Minerals Limited
Directors' declaration
30 June 2017

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



P Turnbull
Chairman

21 September 2017
Brisbane

INDEPENDENT AUDITOR'S REPORT

To the members of Metallica Minerals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Metallica Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of Oresome joint venture property, plant and equipment

Key audit matter	How the matter was addressed in our audit
As disclosed in Note 12, impairment charges amounting to \$950,481 relating to the Group's 50% owned joint venture property plant and equipment has been recognised as at 30 June 2017. Given the quantum of this impairment and the judgement exercised by the Group in determining the recoverable amount of each of the classes of assets and calculating the impairment charges, we considered this area to be significant for our audit.	We have evaluated the management's impairment assessment of property, plant and equipment per AASB 136 <i>Impairment of Assets</i>, and performed, amongst others, the following procedures: - Assessing the judgements made by the Group in determining the fair value less costs of disposal of plant and equipment including reviewing third party documentation provided by management and obtaining documented representation from management of the discussions they have had that goes to support the fair value of the plant - Checking the mathematical accuracy of the discounted cash flow ('DCF') model previously applied by management and consistency of valuation methodology used - Challenging key assumptions used in the DCF model, including forecast commodity prices and exchange rates, by comparing them to economic and industry forecasts.

Going Concern

Key audit matter	How the matter was addressed in our audit
Note 1 of the financial statements outlines the basis of preparation of financial statements which indicates being prepared on a going concern basis and no material uncertainty exists relating to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. As the group generates no revenue and is reliant on funding from other sources such as capital raising, there is significant judgement involved in determining whether a material uncertainty relating to going concern exists and is critical to the understanding of the financial statements as a whole. As a result this matter was key to our audit.	Our procedures, amongst others, included: - Obtaining and evaluating management's assessment of the group's ability to continue as a going concern - Assessing the cash flow forecasts provided by management and challenging the assumptions therein in to determine if there is consistency with management's intention and stated business and operational objectives - Checking the mathematical accuracy of the cash flow forecasts - Obtaining the standby credit facility and SCONI sale agreements entered into post balance date and evaluating the likelihood of the conditions precedent in these agreements being met.

Other information

The directors are responsible for the other information. The other information comprises the directors' report and shareholder information for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 14 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Metallica Minerals Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd



A J Whyte
Director

Brisbane, 21 September 2017

Metallica Minerals Limited
Shareholder information
30 June 2017

The shareholder information set out below was applicable as at 18 August 2017.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	107
1,001 to 5,000	417
5,001 to 10,000	338
10,001 to 100,000	945
100,001 and over	466
	2,273
Holding less than a marketable parcel	656

Metallica Minerals Limited
Shareholder information
30 June 2017

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Jien Mining Pty Ltd	40,099,678	12.44
Plan-1 Pty Ltd	11,787,502	3.66
Golden Breed Pty Ltd	6,769,948	2.10
J P Morgan Nominees Australia Limited	5,171,960	1.60
Bondline Limited	4,910,966	1.52
Mr Paul Dostal	4,500,000	1.40
Mr Philipp Stanley Holten	4,222,875	1.31
Corowa Nominees Pty Ltd	3,965,098	1.23
Minnelex Pty Ltd - Pyper Family A/C	3,765,260	1.17
Mr Jimmy Fausto Caffieri and Mrs Lucia Caffieri	3,558,000	1.10
Aris Nominees Pty Ltd	2,928,460	0.91
BNP Paribas Nominees Pty Ltd - IB AU Noms Retail Client DRP	2,801,174	0.87
Asden Investments Pty Ltd - Asden P/L Staff S/F A/C	2,745,121	0.85
Australian Exports & Industrialisation Super Pty Ltd - Buck Family Super Fund A/C	2,512,500	0.78
Codan Trustees - The Mount Cotton Account	2,500,000	0.78
M2 Assets Pty Ltd	2,050,001	0.64
MBM Corporation Pty Ltd	2,000,000	0.62
Pure Water System (Aust) Pty Ltd - Pure Water Systems S/F A/C	2,000,000	0.62
Mrs Zi Juan Qi	2,000,000	0.62
Latsod Pty Ltd - Dostal Superfund A/C	1,989,955	0.62
	<u>112,278,498</u>	<u>34.84</u>

Metallica Minerals Limited
Shareholder information
30 June 2017

Twenty largest quoted option holders

	Options over ordinary shares	Options over ordinary shares % of total options issued
	Number held	
Mr Michael Soucik & Mrs Heather Soucik - HMS Superannuation Fund A/C	4,630,000	12.18
Mr Paul Dostal	1,650,000	4.34
Mrs Carolyn Dow	1,525,000	4.01
Mrs Julie Anne Beynon	1,102,500	2.90
Plan-1 Pty Ltd	1,068,751	2.81
Aris Nominees Pty Ltd - Shreeve Super Fund	964,230	2.54
Mr Marcel Surowiec & Ms Eva Surowiec	837,500	2.20
Mrs Zi Juan Qi - Chen Family A/C	750,000	1.97
Srejca Pty Ltd	690,595	1.82
Mr Jimmy Fausto Caffieri & Mrs Lucia Caffieri - Caffieri Family A/C	654,000	1.72
Mr Phillip Stanley Holten	605,300	1.59
Mr Robert Beynon & Mrs Julie Beynon - Beynon Super Fund A/C	600,000	1.58
Mr Anthony Robert Ramage	550,000	1.45
Jetosea Pty Ltd	500,000	1.32
Zappia Nominees Pty Ltd	500,000	1.32
Mr Steve Boulton	500,000	1.32
Mrs Heather Soucik - HMS A/C	500,000	1.32
Mrobb Super Pty Ltd - M Robb Superfund A/C	500,000	1.32
Pershing Australia Nominees Pty Ltd - Accum A/C	480,415	1.26
J P Morgan Nominees Australia Limited	468,017	1.23
	19,076,308	50.20

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares % of total shares issued
Number held	
Jien Mining Pty Ltd	40,099,678 12.44

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Metallica Minerals Limited

ACN 076 696 092

Annual Financial Report - 30 June 2016

Metallica Minerals Limited
Corporate directory
30 June 2016

Directors	B J Casson - Non-executive Chairman A L Gillies - Non-executive Director Wu Shu - Non-executive Director S Zhang - Alternate Director for Wu Shu
Chief Executive Officer	S J Slesarewich
Company secretary	J K Haley
Annual General Meeting	The details of the annual general meeting of Metallica Minerals Limited are: HopgoodGanim Level 7, Waterfront Place, 1 Eagle Street Brisbane QLD 4001 10.30 am on Tuesday, 29 November 2016
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
30 June 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 year ended 30 June 2016.

Directors

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

Barry J Casson
Andrew L Gillies
Wu Shu
Shu Zhang (alternate to Wu Shu)

Principal activities

During the financial year the principal activities of the consolidated entity consisted of mineral exploration, evaluation and progressing development of its bauxite and zircon-rutile heavy mineral sands (HMS) projects and manufacture and delivery to Brisbane of a HMS processing plant. On arrival the plant was placed in storage awaiting improved mineral sands commodity markets. As a result, from late in calendar 2015, the consolidated entity primarily focused on the bauxite project. Apart from these activities, there were no significant changes in the principal activities of the consolidated entity.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$5,747,331 (30 June 2015: \$7,722,353).

The 30 June 2016 consolidated loss includes the following:

- a) Impairment of mining assets, and property, plant and equipment in the Oresome joint operation of \$468,535. Impairment of the SCONI exploration and evaluation assets of \$3,962,311. The impairment of these assets was the result of a combination of factors including significant and ongoing reductions in relevant commodity prices.
- b) A gain on the sale of the non-core Boyne Limestone Project of \$900,000. The gross cash proceeds from the sale of this project was \$1,000,000 including a \$100,000 non-refundable option fee reported separately as other income.
- c) A loss of \$217,461 on the sale of non-core Ootann limestone mining leases and the non-core Star Limestone Project. The gross cash proceeds from the sale of these assets was \$870,000.

During the year ended 30 June 2016 the consolidated entity:

- (a) Completed an initial 2 hole drilling program at the Esmeralda Graphite Project and obtained assays which has confirmed significant large scale graphite mineralisation, and samples used to carry out metallurgical test-work.
- (b) The Oresome Joint Venture received the final \$1,000,000 due under the joint venture (JV) agreement between Oresome Australia Pty Ltd (a wholly owned subsidiary of Metallica Minerals Ltd) and Ozore Resources Pty Ltd. The JV is now a 50/50 joint venture.
- (c) Received a second royalty payment of \$200,000 for nickel ore extracted from its Lucky Break Mining Lease west of Townsville.
- (d) Completed a renounceable rights issue offered on the basis of 2 new shares for every 5 shares held at 3 cents per share. With every 2 new shares, investors received a free listed option with an exercise price of 4.5 cents. A total of 59,871,319 ordinary shares were issued, raising \$1,796,139 before transaction costs of \$219,088.

Metallica Minerals Limited
Directors' report
30 June 2016

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.

Should the consolidated entity not be able to raise capital or dispose of non-core assets when required or manage its expenditure so as to conserve cash over the coming 12 months, there exists a material uncertainty regarding the company's and consolidated entity's ability to continue as a going concern and 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.

The company's auditor has, without qualifying their audit opinion, included an 'emphasis of matter' paragraph in their audit report which draws attention to the aforementioned uncertainty regarding going concern.

Capital expenditure

During the 2016 financial year, \$430,224 was incurred on capitalised exploration and development expenditure (2015: \$750,388). The majority of the expenditure incurred was on the Urquhart Point exploration and development assets. The consolidated entity also incurred \$642,041 (2015: \$2,827,167) on additions to property, plant and equipment of which the Oresome Joint Venture accounted for \$637,901 (2015: \$2,812,231).

Cash flow and Liquidity

During the 2016 financial year, the consolidated entity had net cash outflows from operating activities of \$2,046,616 (2015: \$2,394,890). Payments to suppliers were lower in the current financial year which was partially offset by a reduction in cash inflows from grants and interest earned on cash and cash equivalents, and also reduced cash inflows from limestone sales revenue following the sale of the group's non-core limestone tenements.

For the year ended 30 June 2016 net cash inflows from investing activities amounted to \$533,993 (2015: \$2,377,612). In the current financial year the consolidated entity received \$1,601,061 from the sale of exploration assets and property, plant and equipment, and recognised a cash inflow of \$675,000 which represents Metallica's share of the additional cash contributions received by the joint operation from Ozore Resources Pty Ltd. Cash outflows for plant and equipment, mining development assets and, exploration and evaluation amounted to \$1,256,811 (2015: \$4,374,163), and \$506,407 (2015: nil) was invested in term deposits.

Significant changes in the state of affairs

Apart from primarily focusing on the bauxite project from late in calendar 2015, there were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 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.

Likely developments and expected results of operations

Since the end of the 30 June 2016 financial year, the consolidated entity has retained all its Mining Leases (granted and applied) including those related to the SCONI nickel/cobalt/scandium project. The consolidated entity will continue to rigorously review and control costs, actively progress the Urquhart Bauxite Project, and continue to maximise the value of non-core assets.

The consolidated entity's goal is to become a profitable supplier of bauxite in the 2017 calendar year, and to evaluate options to maximise the value of the HMS processing plant and the Company's other non-core projects including the SCONI nickel, cobalt, scandium, the Esmeralda graphite, the Fairview limestone and the Cape Flattery silica sand projects.

Environmental regulation

The consolidated entity is subject to environmental regulations under laws of Queensland where it holds mineral exploration and mining tenements. During the financial year the consolidated entity's activities recorded no non-compliance issues.

Metallica Minerals Limited
Directors' report
30 June 2016

Information on directors

Name:	Barry J Casson
Title:	Non-executive Chairman
Age:	65
Qualifications:	MAICD
Experience and expertise:	Non-executive Director since 1 December 2010. Mr Casson has more than 40 years' experience in accounting, finance and general management with several listed and unlisted companies, primarily in the resources industry. He has had extensive international experience in project financing and corporate transactions.
Other current directorships:	Non-executive director of Unitywater since 2013 (statutory authority)
Former directorships (last 3 years):	Non-executive director of Global Resources Corporation Limited from 2006 to 2013
Special responsibilities:	Chairman
Interests in shares:	None
Interests in options:	None
Interests in rights:	None
Name:	Andrew L Gillies
Title:	Non-executive Director (Managing Director until 13 July 2015)
Age:	53
Qualifications:	Bachelor of Science (Geology), MAusIMM
Experience and expertise:	Mr Gillies graduated from the University of Queensland in 1985 with a BSc (Geology), is a member of the Aus.I.M.M. Mr Gillies' key strength is mineral resource management and strategic planning specialising in project generation, selection, evaluation and acquisition. Since 1985 he has worked continuously as a geologist in the mining and exploration industry, accruing over 30 years' experience across a range of commodities. He has valuable experience in the fields of exploration feasibility studies, development, open pit and underground mining of mineral deposits and resource company management.
Other current directorships:	None
Former directorships (last 3 years):	Non-executive director of Metro Mining Limited (2006 - 2014).
Special responsibilities:	Managing Director from the ASX listing of Metallica Minerals Limited in 2004 through until 13 July 2015.
Interests in shares:	11,140,000
Interests in options:	2,000,000
Interests in rights:	None
Name:	Wu Shu
Title:	Non-executive Director
Age:	50
Qualifications:	MBA
Experience and expertise:	Wu Shu is a director of Jien Mining Pty Ltd which holds 40,099,678 shares in Metallica Minerals Limited.
Other current directorships:	Chairman and Director of Jilin Jein Nickel Industry Co. Ltd listed on the Shanghai Stock Exchange (director since 2003), Director of Liberty Mines Inc. listed on the TSX, Canada (director since 2009)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None
Interests in rights:	None

Metallica Minerals Limited
Directors' report
30 June 2016

Name:	Shu Zhang (appointed 21 August 2014)
Title:	Alternate Director to Wu Shu
Age:	60
Qualifications:	BE in Mining Engineering, PhD and ME Candidate in Civil and Mining Engineering
Experience and expertise:	Dr Shu Zhang has over 40 years' experience in mining, first as a Miner, then a Mining Engineer, and later an Executive Manager in operations and project development in companies in Australia, China, and Canada. Dr Zhang was one of the key members who played a critical role in the successful development of Sino Gold Mining Limited. Dr Zhang has worked for the Jilin Nickel Group since 2011, and has been a director of Jilin's Canadian subsidiaries, being the unlisted Canadian Royalties Inc., and the TSX listed Northern Sun Mining Corporation (until April 2016).
Other current directorships:	None
Former directorships (last 3 years):	Director of Northern Sun Mining Corporation, listed on the TSX/TSXV, Canada (June 2011 – Apr 2016)
Special responsibilities:	Alternate director for Wu Shu
Interests in shares:	None
Interests in options:	None
Interests in rights:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated. 'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary

The Company Secretary in office for the whole of the financial year was John Haley. John is a Chartered Accountant with over 35 years' experience in accounting and finance. John has served in Chief Financial Officer and Company Secretary roles for a number of listed and non-listed entities.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
B J Casson	14	14
A L Gillies	14	14
W Shu (alternate S Zhang)	14	14

Held: represents the number of meetings held during the time the director held office.

With effect from 30 June 2015, the Board decided that it was no longer appropriate to have separate committees for Audit & Risk and Remuneration. The Board as part of its role has undertaken the responsibilities of these Board committees and carries out the functions set out in their respective charters to ensure that their objectives are met.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

Metallica Minerals Limited
Directors' report
30 June 2016

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency

The remuneration structure for key management personnel, excluding non-executive directors, is set by the Board and is based on a number of factors including, market remuneration for comparable companies, particular experience of the individual concerned and overall performance of the consolidated entity. The contracts for service between the consolidated entity and key management personnel are on a continuing basis the terms of which are not expected to change in the immediate future. The consolidated entity retains the right to terminate contracts immediately by making payment of an amount based on the employee's years of service. Upon retirement or termination key management personnel, excluding non-executives, are paid employee benefits accrued to date of retirement or termination. No other termination benefits are payable under service contracts except that Mr John Haley is entitled to 6 months' salary if a change in control of the company occurs or his employment is terminated, provided the amount payable does not exceed any amount allowable under the Corporations Act 2001 or the ASX Listing Rules. Any options issued which are not exercised on or before the date of termination lapse 3 months after termination. Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Board.

The remuneration framework is aligned to shareholders' interests through:

- a focus on sustained growth in share price and key non-financial drivers of value
- attracting and retaining high calibre executives

The remuneration framework is aligned to employees' interests through:

- rewarding capability and experience
- reflecting competitive rates of remuneration in respect of skills and responsibility
- providing a clear structure for earning rewards
- providing recognition for contribution

In accordance with best practice corporate governance, the structure of non-executive directors and executive remuneration is separate.

Non-executive director remuneration

Remuneration of the non-executive directors is approved by the Board and set in aggregate within the maximum amount approved by the shareholders from time to time. The fees have been determined by the Board having regard to industry practice and the need to obtain appropriately qualified independent persons.

The aggregate pool of remuneration paid to non-executive directors was approved by shareholders on 24 November 2010 and is currently \$300,000 per annum for Metallica Minerals Limited as parent entity. The amount paid to non-executive directors of the parent entity (Metallica Minerals Limited) during the year to 30 June 2016 was \$142,350 (2015: \$160,150).

Executive remuneration

The consolidated entity and company aims to reward executives with a level and mix of remuneration, both fixed and variable, based on their position and responsibility.

Metallica Minerals Limited
Directors' report
30 June 2016

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and adds additional value to the executive.

The long-term incentives ('LTI') include share-based payments. Options to acquire shares may be awarded to executives. Performance rights have a nil exercise price and the performance hurdles applicable to any performance period (including how they will be measured) is set out in the invitation to the eligible executives.

Consolidated entity performance and link to remuneration

Because the consolidated entity is in exploration and development, not production, there is no direct relationship between the consolidated entity's financial performance and the level of remuneration paid to key management personnel.

At 30 June 2016 the market price of the company's ordinary shares was 3 cents per share (30 June 2015: 6 cents per share). No dividends were paid during the year ended 30 June 2016.

Given that the remuneration is commercially reasonable, the link between remuneration, company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a minerals company. Share prices are subject to the influence of international metal prices and market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration. The company may issue options to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of key management personnel with those of the company's shareholders.

Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as determined by the Board of Directors. Except in so far as Directors and other key management personnel hold options or performance rights over shares in the company, there is no relationship between remuneration policy and the company's performance.

Use of remuneration consultants

The company did not engage remuneration consultants during the financial year ended 30 June 2016.

Voting and comments made at the company's 24 November 2015 Annual General Meeting ('AGM')

The company received 99% of 'for' votes in relation to its remuneration report for the year ended 30 June 2015. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Metallica Minerals Limited:

- B J Casson
- A L Gillies
- Wu Shu
- Shu Zhang (alternate Director)

Metallica Minerals Limited
Directors' report
30 June 2016

And the following persons:

- S J Slesarewich - Chief Executive Officer
- J K Haley - Chief Financial Officer and Company Secretary

	Short-term benefits		Post-employment	Long-term benefits	Share-based payments	
	Cash salary and fees	Other	Super-annuation	Long service leave	Options, rights & shares	Total
2016	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>						
B J Casson	63,500	-	-	-	-	63,500
A L Gillies*	118,770	23,868	7,875	-	54,223	204,736
S Zhang (alternate)	38,500	-	-	-	-	38,500
<i>Other Key Management Personnel:</i>						
S J Slesarewich	234,971	-	21,467	-	89,032	345,470
J K Haley	88,800	-	31,488	2,650	-	122,938
	<u>544,541</u>	<u>23,868</u>	<u>60,830</u>	<u>2,650</u>	<u>143,255</u>	<u>775,144</u>

* Mr Andrew Gillies was Managing Director until 13 July 2015 and a Non-Executive Director thereafter. Amounts received in his position as an Executive Director amounted to \$140,518, made up of cash salary and fees of \$78,420, superannuation of \$7,875 and share based payments of \$54,223. The other short term benefits are consultancy fees, subsequent to Mr Gillies becoming a Non-executive Director, of \$23,868 paid or payable to Golden Breed Pty Ltd, of which Mr Gillies is a director and beneficiary.

The calculated accounting value of options, issued subject to shareholder approval, increased to a higher level than at the time of the decision to issue the options. That higher price has since reduced back substantially and the deemed value would be considerably less if recalculated now.

Dr Wu Shu (Non-executive director) did not receive any remuneration during the 2016 financial year.

	Short-term benefits	Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Super-annuation	Long service leave	Options, rights & shares	Total
2015	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>					
B J Casson	38,500	-	-	-	38,500
D K Barwick*	59,954	5,696	-	-	65,650
S Zhang (alternate)	38,500	-	-	-	38,500
T Li (alternate)*	17,500	-	-	-	17,500
<i>Executive Directors:</i>					
A L Gillies	146,063	17,576	(1,225)	-	162,414
<i>Other Key Management Personnel:</i>					
J K Haley	<u>101,426</u>	<u>21,982</u>	<u>6,591</u>	<u>25,585</u>	<u>155,584</u>
	<u>401,943</u>	<u>45,254</u>	<u>5,366</u>	<u>25,585</u>	<u>478,148</u>

* Mr David Barwick and Mr Tao Li retired on 30 June 2015 and 21 August 2014 respectively.

Dr Wu Shu (Non-executive director) did not receive any remuneration during the 2015 financial year.

Metallica Minerals Limited
Directors' report
30 June 2016

The proportion of remuneration linked to performance (i.e. options) and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2016	2015	2016	2015	2016	2015
<i>Non-Executive Directors:</i>						
B J Casson	100%	100%	-	-	-	-
D K Barwick	-	100%	-	-	-	-
A L Gillies	74%	100%	-	-	26%	-
T Li	100%	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
S J Slesarewich	74%	-	-	-	26%	-
J K Haley	100%	84%	-	-	-	16%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Andrew Langham Gillies
Title:	Managing Director (until 13 July 2015 and Non-executive Director thereafter)
Agreement commenced:	23 March 2009
Term of agreement:	Agreement terminated on 13 July 2015
Details:	The contract could be terminated by 1 months' notice from either party. The contract was reviewed annually by the Board of Directors and was last reviewed in November 2014. Following this review the base salary (including the superannuation guarantee levy) remained unchanged at \$165,000. As set out in the contract, Andrew Gillies was paid 6 months base salary following the termination of the contract on 13 July 2015.
Name:	Simon Joseph Slesarewich
Title:	Chief Executive Officer
Agreement commenced:	13 July 2015
Term of agreement:	12 July 2017
Details:	The contract may be terminated by 3 months' notice from either party. The contract is to be reviewed annually by the Board of Directors on or about 1 July of each year. The contract provides for an annual base salary of \$250,000 per annum (inclusive of the minimum statutory superannuation contributions) and an annual cash bonus of up to 50% of Simon Slesarewich's base salary (the short term benefits disclosed in the remuneration table for Simon Slesarewich includes the movement in his annual leave provision). The cash bonus is dependent on the achievement of KPI's. Simon is also entitled to the following options to acquire shares in the company: (a) 4 million options that vest on commencement of employment. The first tranche of 2 million options are exercisable at 7.5 cents per option and expired on 1 July 2016 and the second tranche of 2 million options are exercisable at 10 cents per option and expire on 31 December 2016; (b) 2 million options at an exercise price of 12.5 cents per option, vesting on 14 July 2016 and expiring on 12 July 2017; and (c) 2 million options at an exercise price of 15 cents per option, vesting on the date on which the Board of Directors resolves to develop a bauxite mine in which the company holds at least a 40% interest. These options expire on 12 July 2018.

Metallica Minerals Limited
Directors' report
30 June 2016

Name: John Kevin Haley
Title: Chief Financial Officer and Company Secretary
Agreement commenced: 1 July 2009
Term of agreement: Ongoing
Details: The contract may be terminated by 1 months' notice from either party. The contract is to be reviewed annually by the Board of Directors and was last reviewed in December 2015. Following this review the base salary including the superannuation guarantee levy remained unchanged at \$120,000 (the short term benefits disclosed in the remuneration table for John Haley includes the movement in his annual leave provision). The contract provides for payment of 6 months of base salary if control of the company changes or John Haley's employment is terminated. John is also entitled to 1,000,000 options to acquire shares in the company at 10 cents per share. 500,000 options were granted on 20 December 2013 and 500,000 options were granted on 21 August 2014. The options expire on 31 December 2016.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares granted to directors and other key management personnel as part of compensation during the year ended 30 June 2016.

Options

The terms and conditions of options over ordinary shares that were granted as compensation to each director and other key management personnel during the reporting period are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
13 July 2015	13 July 2015	1 July 2016	\$0.075	\$0.009
13 July 2015	13 July 2015	31 December 2016	\$0.100	\$0.010
13 July 2015	14 July 2016	12 July 2017	\$0.125	\$0.011
13 July 2015	Not yet vested*	12 July 2018	\$0.150	\$0.014
24 November 2015	24 November 2015	31 December 2016	\$0.100	\$0.027

* These options will vest on the date on which the Board of Directors resolves to develop a bauxite mine in which the company holds at least a 40% interest

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Number of options granted during the year 2016	Number of options granted during the year 2015	Number of options vested during the year 2016	Number of options vested during the year 2015
A L Gillies	2,000,000	-	2,000,000	-
S J Slesarewich	8,000,000	-	4,000,000	-
J K Haley	-	500,000	-	500,000

For the options that lapsed during the year, the value of the options at the date they lapsed was nil.

Metallica Minerals Limited
Directors' report
30 June 2016

Performance rights

There were no performance rights over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2016.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2016 are summarised below:

	2016 \$	2015 \$	2014 \$	2013 \$	2012 \$
Profit/(loss) after income tax	(5,747,331)	(7,722,353)	(15,333,124)	(20,008,012)	(23,949,504)

The factors that are considered to affect Total Shareholders Return ('TSR') are summarised below:

	2016	2015	2014	2013	2012
Share price at financial year end (\$)	0.03	0.06	0.04	0.09	0.22
Basic earnings per share (cents per share)	(3.23)	(4.65)	(9.55)	(14.13)	(17.84)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received on vesting of rights	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
A L Gillies	10,600,000	-	540,000	-	11,140,000
J K Haley	80,000	-	-	(5,000)	75,000
	<u>10,680,000</u>	<u>-</u>	<u>540,000</u>	<u>(5,000)</u>	<u>11,215,000</u>

None of the shares above are held nominally by the directors or any of the other key management personnel.

Dr. Wu Shu (Non-executive Director) is a director of Jien Mining Pty Ltd which holds 40,099,678 shares in Metallica Minerals Limited.

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
A L Gillies	-	2,000,000	-	-	2,000,000
S J Slesarewich	-	8,000,000	-	-	8,000,000
J K Haley	1,000,000	-	-	-	1,000,000
	<u>1,000,000</u>	<u>10,000,000</u>	<u>-</u>	<u>-</u>	<u>11,000,000</u>

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
<i>Options over ordinary shares</i>			
A L Gillies	2,000,000	-	2,000,000
S J Slesarewich	4,000,000	-	4,000,000
J K Haley	1,000,000	-	1,000,000
	<u>7,000,000</u>	<u>-</u>	<u>7,000,000</u>

Metallica Minerals Limited
Directors' report
30 June 2016

No other key management personnel held options.

Loans to key management personnel and their related parties

There were no loans owing by key management personnel of the group, including their close family members and entities related to them, during the financial year ended 30 June 2016.

Other transactions with key management personnel and their related parties

There were no other transactions with key management personnel of the group, including their close family members and entities related to them, during the financial year ended 30 June 2016.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Metallica Minerals Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
3 August 2011	No expiry date****	\$0.700	1,000,000
20 December 2013	31 December 2016	\$0.100	500,000
21 August 2014	31 December 2016	\$0.100	500,000
13 July 2015*	31 December 2016	\$0.100	2,000,000
13 July 2015*	12 July 2017	\$0.125	2,000,000
13 July 2015*	12 July 2018	\$0.150	2,000,000
24 November 2015**	31 December 2016	\$0.100	2,000,000
27 April 2016***	30 June 2017	\$0.045	29,935,661
			<u>39,935,661</u>

* Options granted to the Chief Executive Officer, Simon Slesarewich, on the date of his appointment. Refer to the 'Service agreements' section of the remuneration report for details of the options granted.

** Options granted to a Non-Executive Director, Andrew Gillies. The grant of the options was approved at the Company's 2015 AGM.

*** Options granted in terms of renounceable rights issue.

**** These options will expire 3 years after the decision to mine at Lucknow or Kokomo is made.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares under performance rights

There were no unissued ordinary shares of Metallica Minerals Limited under performance rights outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Metallica Minerals Limited issued on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of Metallica Minerals Limited issued on the exercise of performance rights during the year ended 30 June 2016 and up to the date of this report.

Indemnity and insurance of officers

Each of the Directors and the Secretary of the company have entered into a Deed with the company whereby the company has provided certain contractual rights of access to books and records of the company to those Directors and Secretary. The company has insured all of the Directors of Metallica Minerals Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act 2001 does not require disclosure of the information in these circumstances.

Indemnity and insurance of auditor

Other than the standard indemnities, the company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of BDO Audit Pty Ltd

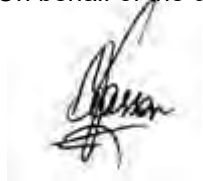
There are no officers of the company who are former partners of BDO Audit Pty Ltd.

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 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



B J Casson
Chairman

19 September 2016
Brisbane



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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

As lead auditor of Metallica Minerals Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

A J Whyte
Director

BDO Audit Pty Ltd

Brisbane: 19 September 2016

Metallica Minerals Limited

Contents

30 June 2016

Statement of comprehensive income	16
Statement of financial position	17
Statement of changes in equity	18
Statement of cash flows	19
Notes to the financial statements	20
Directors' declaration	49
Independent auditor's report to the members of Metallica Minerals Limited	50
Shareholder information	52

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 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 19 September 2016. The directors have the power to amend and reissue the financial statements.

Metallica Minerals Limited
Statement of comprehensive income
For the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Revenue	4	323,565	716,602
Other income	5	1,025,904	4,346,637
Expenses			
Advertising and promotional costs		(21,770)	(49,685)
Raw materials and consumables used		(30,139)	(161,672)
Rental expenses		(191,500)	(217,640)
Employee benefits expense	6	(1,136,571)	(883,337)
Exploration costs		(377,835)	(669,169)
Depreciation and amortisation expense	6	(4,626)	(45,307)
Impairment of property, plant and equipment	13	(295,512)	(551,389)
Impairment of mining assets	15	(173,023)	(4,041,815)
Listing fees and share register expenses		(56,991)	(52,214)
Exploration and evaluation expenditure impaired	14	(3,962,311)	(4,990,495)
Legal fees		(135,695)	(105,823)
Airfares and conferences		(77,748)	(78,732)
Professional fees		(117,413)	(153,180)
Other expenses		(512,009)	(780,506)
Finance costs	6	(3,657)	(4,628)
Loss before income tax expense		(5,747,331)	(7,722,353)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Metallica Minerals Limited	23	(5,747,331)	(7,722,353)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Metallica Minerals Limited		<u>(5,747,331)</u>	<u>(7,722,353)</u>
		Cents	Cents
Basic earnings per share	36	(3.23)	(4.65)
Diluted earnings per share	36	(3.23)	(4.65)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Metallica Minerals Limited
Statement of financial position
As at 30 June 2016

	Notes	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	8	1,530,184	1,440,755
Trade and other receivables	9	63,869	165,659
Inventories	10	-	147,100
Current tax receivable		300,000	-
Held to maturity investments	11	757,064	250,657
Other	12	37,029	52,039
Total current assets		<u>2,688,146</u>	<u>2,056,210</u>
Non-current assets			
Plant and equipment	13	1,993,651	2,002,790
Exploration and evaluation	14	296,290	5,018,477
Other	16	297,125	318,275
Total non-current assets		<u>2,587,066</u>	<u>7,339,542</u>
Total assets		<u>5,275,212</u>	<u>9,395,752</u>
Liabilities			
Current liabilities			
Trade and other payables	17	302,768	257,949
Employee benefits	18	35,144	214,196
Total current liabilities		<u>337,912</u>	<u>472,145</u>
Non-current liabilities			
Employee benefits	20	43,727	28,010
Total non-current liabilities		<u>43,727</u>	<u>28,010</u>
Total liabilities		<u>381,639</u>	<u>500,155</u>
Net assets		<u>4,893,573</u>	<u>8,895,597</u>
Equity			
Issued capital	21	32,205,513	30,603,461
Reserves	22	8,046,733	7,903,478
Accumulated losses	23	(35,358,673)	(29,611,342)
Total equity		<u>4,893,573</u>	<u>8,895,597</u>

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

Metallica Minerals Limited
Statement of changes in equity
For the year ended 30 June 2016

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2014	30,133,461	7,877,893	(21,888,989)	16,122,365
Loss after income tax expense for the year	-	-	(7,722,353)	(7,722,353)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(7,722,353)	(7,722,353)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 21)	470,000	-	-	470,000
Share-based payments (note 37)	-	25,585	-	25,585
Balance at 30 June 2015	<u>30,603,461</u>	<u>7,903,478</u>	<u>(29,611,342)</u>	<u>8,895,597</u>
Consolidated	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 year	-	-	(5,747,331)	(5,747,331)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(5,747,331)	(5,747,331)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 21)	1,602,052	-	-	1,602,052
Share-based payments (note 37)	-	143,255	-	143,255
Balance at 30 June 2016	<u>32,205,513</u>	<u>8,046,733</u>	<u>(35,358,673)</u>	<u>4,893,573</u>

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

Metallica Minerals Limited
Statement of cash flows
For the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		143,766	218,872
Payments to suppliers and employees (inclusive of GST)		(2,656,935)	(3,530,768)
		(2,513,169)	(3,311,896)
Interest received		12,709	67,702
Other revenue		457,501	853,932
Interest and other finance costs paid		(3,657)	(4,628)
Net cash used in operating activities	35	(2,046,616)	(2,394,890)
Cash flows from investing activities			
Net cash inflow on formation of joint operation	33	-	3,334,699
Net cash inflow on reduction of interest in joint operation and additional capital introduced		675,000	883,400
Payments for property, plant and equipment	13	(642,041)	(2,827,167)
Payments for held to maturity investments		(506,407)	-
Payments for security deposits		-	(103,011)
Payments for mining development assets	15	(184,546)	(796,608)
Payments for exploration and evaluation	14	(430,224)	(750,388)
Receipt of Research and Development tax offset		-	579,280
Proceeds from disposal of property, plant and equipment, and exploration assets		1,601,061	-
Proceeds from sale of shares in MetroCoal Limited	5	-	2,057,407
Receipt for security deposit		21,150	-
Net cash from investing activities		533,993	2,377,612
Cash flows from financing activities			
Proceeds from issue of shares	21	1,821,140	500,000
Share issue transaction costs	21	(219,088)	(30,000)
Net cash from financing activities		1,602,052	470,000
Net increase in cash and cash equivalents		89,429	452,722
Cash and cash equivalents at the beginning of the financial year		1,440,755	988,033
Cash and cash equivalents at the end of the financial year	8	<u>1,530,184</u>	<u>1,440,755</u>

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. None of the new standards and amendments to standards affected any of the amounts recognised in the current period or any prior period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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.

Should the Consolidated Entity not be able to raise capital or dispose of non-core assets when required or manage its expenditure so as to conserve cash over the coming 12 months, there exists a material uncertainty regarding the Company's and Consolidated Entity's ability to continue as a going concern and 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.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for the revaluation of available-for-sale financial assets.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Metallica Minerals Limited ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Metallica Minerals Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Note 1. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the consolidated entity will comply with all the attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate. Government grants relating to the purchase or development of assets, including exploration and evaluation activities, are deducted from the carrying value of the asset.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Metallica Minerals Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 1. Significant accounting policies (continued)

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Joint arrangements

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Metallica Minerals Limited has only one joint operation at 30 June 2016 and no joint ventures.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Metallica Minerals Limited has recognised its share of the jointly held assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications. Details of the joint operation are set out in note 33.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduces the carrying amount of the investment.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Plant and equipment	15-40% per annum

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Note 1. Significant accounting policies (continued)

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Mining development

Once an undeveloped mining project has been established as commercially viable and approval to mine has been given, expenditure other than land, buildings, plant and equipment is capitalised under "Mining development" together with any amount transferred from "Exploration and evaluation".

Amortisation of mining development is computed by the units of production basis over the estimated proved and probable reserves. Proved and probable mineral reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. These reserves are amortised from the date on which production commences. The amortisation is calculated from recoverable proven and probable reserves and a predetermined percentage of the recoverable measured, indicated and inferred resource. This percentage is reviewed annually.

Restoration costs expected to be incurred are provided for as part of development phase that give rise to the need for restoration.

Restoration, rehabilitation and environmental expenditure

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Estimates of future costs are reassessed at least annually. Changes in estimates relating to areas of interest in the exploration and evaluation phase are dealt with retrospectively, with any amounts that would have been written off or provided against under the accounting policy for exploration and evaluation immediately written off.

Note 1. Significant accounting policies (continued)

Restoration from exploration drilling is carried out at the time of drilling and accordingly no provision is required.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Note 1. Significant accounting policies (continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Metallica Minerals Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 1. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Comparatives

Where required by the Australian Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 January 2018. The reported results and position of the consolidated entity will not change on adoption of this standard as it does not result in any changes to the consolidated entity's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements.

Note 1. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018. The consolidated entity currently does not have any significant revenue contracts with customers that may be impacted by this standard.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments will have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Impairment of plant and equipment

The consolidated entity assesses impairment of plant and equipment at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Significant judgements and assumptions were required in making an estimate of the value in use for the capital works in progress associated with the Oresome joint operation. The value-in-use estimate for the capital works in progress is most sensitive to variability in commodity prices and exchanges rates (refer note 15). It is reasonably possible that the commodity price and foreign exchange assumptions may change and may result in future impairment. Furthermore, the expected future cash flows used to determine the value-in-use of the capital works in progress are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including reserves and production estimates, together with economic factors such as, discount rates, estimates of costs to produce reserves and future capital expenditure.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 3. 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.

Other than interest income and incidental revenues associated with a limestone mining lease held for the purposes of the SCONI exploration project (which were sold during the 2016 financial year) and nickel royalties, 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 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 financial statements
30 June 2016

Note 4. Revenue

	Consolidated	
	2016	2015
	\$	\$
<i>Sales revenue</i>		
Sale of goods	15,149	295,436
<i>Other revenue</i>		
Interest	14,536	66,102
Royalty	250,672	250,000
Other revenue	43,208	105,064
	<u>308,416</u>	<u>421,166</u>
Revenue	<u>323,565</u>	<u>716,602</u>

Note 5. Other income

	Consolidated	
	2016	2015
	\$	\$
Gain on formation of joint operation*	-	1,559,039
Net gain on reduction of interest in joint operation and introduction of additional equity	179,644	231,323
Net gain on disposal of investment in MetroCoal Limited**	-	2,057,407
Net gain on disposal of assets including inventory and property, plant and equipment	682,639	-
Government grants	-	364,545
Other income	163,621	134,323
	<u>1,025,904</u>	<u>4,346,637</u>
Other income	<u>1,025,904</u>	<u>4,346,637</u>

* The gain on formation of the joint operation (refer note 33) resulted from the contribution by the consolidated entity of 33.33% of its heavy mineral sands and bauxite tenements to the joint operation.

**During the financial year ended 30 June 2015, Metallica Minerals Limited sold its entire shareholding of 64.3 million ordinary shares in MetroCoal Limited for \$2,057,407.

Note 6. Expenses

	Consolidated	
	2016	2015
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Aggregate employee benefits expense</i>		
Defined contribution superannuation expense	69,344	104,594
Equity-settled share-based payments	143,255	25,585
Other employee benefits expenses	948,043	1,053,803
	<u>1,160,642</u>	<u>1,183,982</u>
<i>Less</i>		
Employee costs capitalised to exploration	<u>(24,071)</u>	<u>(300,645)</u>
Employee benefits expense	<u>1,136,571</u>	<u>883,337</u>
<i>Depreciation</i>		
Plant and equipment	4,626	35,714
Motor vehicles	<u>-</u>	<u>9,593</u>
Total depreciation	<u>4,626</u>	<u>45,307</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	<u>3,657</u>	<u>4,628</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<u>182,500</u>	<u>226,951</u>

Note 7. Income tax expense

	Consolidated	
	2016	2015
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	<u>(5,747,331)</u>	<u>(7,722,353)</u>
Tax at the statutory tax rate of 30%	<u>(1,724,199)</u>	<u>(2,316,706)</u>
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Tax profit on disposal of asset	204,792	-
Gain on entering into Oresome Joint Venture	-	(537,109)
Disposal of tenements	-	1,265,000
Gain on disposal of Metro Mining Ltd	-	(472,561)
Gain on reduction in interest in joint venture	(53,893)	-
Share based payments	42,977	-
Other (non-assessable)/non-deductible items	<u>-</u>	<u>(436,923)</u>
	<u>(1,530,323)</u>	<u>(2,498,299)</u>
Current year tax losses not recognised	1,316,933	2,449,188
Adjustment to prior periods unrecognised tax losses	<u>213,390</u>	<u>49,111</u>
Income tax expense	<u><u>-</u></u>	<u><u>-</u></u>

Note 7. Income tax expense (continued)

	Consolidated	
	2016	2015
	\$	\$
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Unused tax losses	5,620,684	6,164,441
Exploration and evaluation expenditure	(279,679)	(2,143,442)
Other deductible temporary differences	542,903	510,724
	<u>5,883,908</u>	<u>4,531,723</u>
Total deferred tax assets not recognised	<u>5,883,908</u>	<u>4,531,723</u>

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed. The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2016	2015
	\$	\$
Cash on hand	50	50
Cash at bank	1,530,134	1,440,705
	<u>1,530,184</u>	<u>1,440,755</u>

Note 9. Current assets - trade and other receivables

	Consolidated	
	2016	2015
	\$	\$
Trade receivables	100,964	115,070
Less: Provision for impairment of receivables	(50,000)	-
	<u>50,964</u>	<u>115,070</u>
Other receivables	10,904	3,000
Interest receivable	1,827	-
BAS receivable	174	47,589
	<u>63,869</u>	<u>165,659</u>

At 30 June 2016 trade receivables of \$50,000 were past due, and have been impaired. There were no receivables at 30 June 2015 that were either impaired or past their due date.

Note 10. Current assets - inventories

	Consolidated	
	2016	2015
	\$	\$
Finished goods - at cost	-	147,100

Note 11. Current assets - held to maturity investments

	Consolidated	
	2016	2015
	\$	\$
Term deposits	757,064	250,657

Note 12. Current assets - other

	Consolidated	
	2016	2015
	\$	\$
Prepayments	37,029	52,039

Note 13. Non-current assets - plant and equipment

	Consolidated	
	2016	2015
	\$	\$
Plant and equipment - at cost	972,289	1,247,390
Less: Accumulated depreciation	(793,884)	(979,962)
	178,405	267,428
Motor vehicles - at cost	47,539	50,977
Less: Accumulated depreciation	(24,229)	(24,562)
	23,310	26,415
Capital works in progress	2,638,837	2,260,336
Less: Impairment	(846,901)	(551,389)
	1,791,936	1,708,947
	1,993,651	2,002,790

Reconciliations

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

Consolidated	Plant and Equipment \$	Motor Vehicles \$	Capital works in progress \$	Total \$
Balance at 1 July 2014	129,878	5,462	-	135,340
Additions	173,264	30,546	2,623,357	2,827,167
Impairment of assets	-	-	(551,389)	(551,389)
Transfers in/(out)	-	-	(363,021)	(363,021)
Depreciation expense	(35,714)	(9,593)	-	(45,307)
Balance at 30 June 2015	267,428	26,415	1,708,947	2,002,790
Additions	23,995	-	618,046	642,041
Disposals	(89,296)	-	-	(89,296)
Impairment of assets	-	-	(295,512)	(295,512)
Reduction in interest in joint operation	(19,096)	(3,105)	(239,545)	(261,746)
Depreciation expense	(4,626)	-	-	(4,626)
Balance at 30 June 2016	178,405	23,310	1,791,936	1,993,651

Note 14. Non-current assets - exploration and evaluation

	Consolidated	
	2016	2015
	\$	\$
Exploration and evaluation expenditure	<u>296,290</u>	<u>5,018,477</u>

Reconciliations

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

Consolidated	Exploration & Evaluation	Total
	\$	\$
Balance at 1 July 2014	14,586,098	14,586,098
Additions	750,388	750,388
Impairment of assets	(4,990,495)	(4,990,495)
R&D tax offset	(5,327,514)	(5,327,514)
Balance at 30 June 2015	5,018,477	5,018,477
Additions	430,224	430,224
Disposals	(854,126)	(854,126)
Impairment of assets	(3,962,311)	(3,962,311)
R&D tax offset	(300,000)	(300,000)
Write off of assets	(9,452)	(9,452)
Reduction in interest in joint operation	(26,522)	(26,522)
Balance at 30 June 2016	<u>296,290</u>	<u>296,290</u>

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent upon successful development and commercial exploitation or sale of the respective areas of interest.

A review has been undertaken of the carrying value of the SCONI Project as at 30 June 2016. This review took into account a number of relevant attributes including what if any activities are planned for the immediate future and budgets associated with any such activities. Given limited funds currently available and other more immediate development priorities, the Directors acknowledge there are no major activities planned in the near term, due to budget constraints across the company.

Directors have also taken to account the current and outlook for the commodities involved, namely nickel, cobalt and scandium. These main commodities of nickel and cobalt remain generally low; the emerging markets for scandium have not developed to the extent anticipated previously. As a result there is insufficient encouragement to justify any of the varied development plans the company has reviewed in recent times. This also severely restricts the company's ability in attracting feasibility study or development funding.

As a result of these considerations, the Directors have formed a view as to the appropriate carrying value of the SCONI Project, resulting in a provision for impairment of \$3,962,311 (2015: \$4,990,945) which has resulted in a carrying value of nil for the SCONI Project (2015: \$4,000,000).

Note 15. Non-current assets - mining development

	Consolidated	
	2016	2015
	\$	\$
Mining development - at cost	4,214,838	4,041,815
Less: Impairment	<u>(4,214,838)</u>	<u>(4,041,815)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

Reconciliations

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

Consolidated	Mining development at cost \$	Total \$
Balance at 1 July 2014	-	-
Additions	3,551,854	3,551,854
Expenditure during the year	796,608	796,608
Impairment of assets	(4,041,815)	(4,041,815)
Transfers in/(out)	<u>(306,647)</u>	<u>(306,647)</u>
Balance at 30 June 2015	-	-
Expenditure during the year	184,546	184,546
Impairment of assets	(173,023)	(173,023)
Reduction in interest in joint operation	<u>(11,523)</u>	<u>(11,523)</u>
Balance at 30 June 2016	<u><u>-</u></u>	<u><u>-</u></u>

Mining development represents the consolidated entity's share of the mining development assets in the Oresome joint operation (refer note 33).

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 16. Non-current assets - other

	Consolidated	
	2016	2015
	\$	\$
Security deposits	297,125	318,275

Note 17. Current liabilities - trade and other payables

	Consolidated	
	2016	2015
	\$	\$
Trade payables	207,182	235,428
Other payables	95,586	22,521
	<u>302,768</u>	<u>257,949</u>

Refer to note 25 for further information on financial instruments.

Note 18. Current liabilities - employee benefits

	Consolidated	
	2016	2015
	\$	\$
Annual leave	35,144	101,764
Long service leave	-	112,432
	<u>35,144</u>	<u>214,196</u>

Note 19. Non-current liabilities - deferred tax

	Consolidated	
	2016	2015
	\$	\$
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Property, plant and equipment	(222,580)	(485,350)
Exploration and evaluation expenditure	279,679	2,143,442
Mining assets	(209,402)	109,381
Carried forward tax losses	263,224	(1,632,718)
Employee benefits	(23,661)	(72,662)
Other deductible capital raising costs	(82,753)	(57,303)
Other temporary differences	(4,507)	(4,790)

Note 20. Non-current liabilities - employee benefits

	Consolidated	
	2016	2015
	\$	\$
Long service leave	43,727	28,010

Note 21. Equity - issued capital

		2016	Consolidated	
		Shares	2015	2016
			Shares	\$
				2015
				\$
Ordinary shares - fully paid		<u>227,311,635</u>	<u>166,891,830</u>	<u>32,205,513</u>
				<u>30,603,461</u>
<i>Movements in ordinary share capital</i>				
Details	Date	Shares	Issue price	\$
Balance	1 July 2014	160,641,830		30,133,461
Share placement	18 August 2014	6,250,000	\$0.080	500,000
Share issue costs		-	\$0.000	(30,000)
Balance	30 June 2015	166,891,830		30,603,461
Shares for services rendered	11 November 2015	548,486	\$0.046	25,000
Rights issue	27 April 2016	59,871,319	\$0.030	1,796,140
Share issue costs		-	\$0.000	(219,088)
Balance	30 June 2016	<u>227,311,635</u>		<u>32,205,513</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Shares for services rendered

On 11 November 2015 the company issued 548,486 ordinary shares at 4.558 cents per share to a third party for consulting services rendered.

Rights issue

On 27 April 2016 the company announced that it had successfully completed a renounceable rights issue offered on the basis of 2 new shares for every 5 shares held at 3 cents per share. With every 2 new shares, investors received a free listed option with an exercise price of 4.5 cents and expiring on 30 June 2017. A total of 59,871,319 ordinary shares were issued, raising \$1,796,140 before transaction costs of \$219,088.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

The capital structure of the consolidated entity consists of equity attributable to equity holders of the parent entity comprising of issued capital, reserves and accumulated losses as disclosed in the statement of changes in equity. In common with many other exploration companies, the parent raises finance for the consolidated entity's exploration and appraisal activities in discrete tranches.

Management effectively manages the consolidated entity's capital by assessing the consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

Note 21. Equity - issued capital (continued)

There are no externally imposed capital requirements.

The capital risk management policy remains unchanged from the 2015 Annual Report.

The consolidated entity monitors capital on the basis of its working capital position (i.e. liquidity risk). The net working capital of the consolidated entity at 30 June 2016 was \$2,350,234 (2015: \$1,584,065).

Note 22. Equity - reserves

	Consolidated	
	2016	2015
	\$	\$
Share-based payments reserve	<u>8,046,733</u>	<u>7,903,478</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payments reserve \$	Total \$
Balance at 1 July 2014	7,877,893	7,877,893
Share based payments	<u>25,585</u>	<u>25,585</u>
Balance at 30 June 2015	7,903,478	7,903,478
Share based payments	<u>143,255</u>	<u>143,255</u>
Balance at 30 June 2016	<u>8,046,733</u>	<u>8,046,733</u>

Note 23. Equity - accumulated losses

	Consolidated	
	2016	2015
	\$	\$
Accumulated losses at the beginning of the financial year	(29,611,342)	(21,888,989)
Loss after income tax expense for the year	<u>(5,747,331)</u>	<u>(7,722,353)</u>
Accumulated losses at the end of the financial year	<u>(35,358,673)</u>	<u>(29,611,342)</u>

Note 24. Equity - dividends

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 24. Equity - dividends (continued)

Franking credits

	Consolidated	
	2016	2015
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>583,794</u>	<u>583,794</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 25. Financial instruments

Financial risk management objectives

Risk management is carried out under policies set by the board of directors. The board provides principles for overall risk management, as well as policies covering specific areas.

The board monitors and manages the financial risk relating to the operations of the consolidated entity. The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The overall risk management program focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on the financial performance of the consolidated entity.

Market risk

Foreign currency risk

The consolidated entity does not currently have any significant exposure to foreign currency risk.

Price risk

The consolidated entity does not currently have any significant exposure to price risk.

Interest rate risk

The consolidated entity's main interest rate risk arises from cash and cash equivalents and held to maturity investments.

	2016		2015	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Consolidated				
Cash and cash equivalents	0.90%	1,530,184	0.53%	1,440,755
Held to maturity investments	2.29%	<u>757,064</u>	2.31%	<u>250,657</u>
Net exposure to cash flow interest rate risk		<u>2,287,248</u>		<u>1,691,412</u>

At 30 June 2016, if interest rates had increased/decreased by 25 basis points (bps) from the year end rates with all other variables held constant, post-tax loss for the year would have been \$5,718 lower/higher (2015 changes of 25 bps: \$4,229 lower/higher), mainly as a result of higher/lower interest income from cash and cash equivalents and held to maturity investments.

Note 25. Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2016						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	207,182	-	-	-	207,182
Other payables	-	95,586	-	-	-	95,586
Total non-derivatives		302,768	-	-	-	302,768
	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2015						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	235,428	-	-	-	235,428
Other payables	-	22,521	-	-	-	22,521
Total non-derivatives		257,949	-	-	-	257,949

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 26. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2016	2015
	\$	\$
Short-term employee benefits	568,409	401,943
Post-employment benefits	60,830	45,254
Long-term benefits	2,650	5,366
Share-based payments	143,255	25,585
	<u>775,144</u>	<u>478,148</u>

Note 27. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd , the auditor of the company:

	Consolidated	
	2016	2015
	\$	\$
<i>Audit services - BDO Audit Pty Ltd</i>		
Audit or review of the financial statements	<u>48,000</u>	<u>56,000</u>
<i>Other services - BDO Audit Pty Ltd</i>		
Tax compliance services	<u>27,978</u>	<u>58,563</u>
	<u>75,978</u>	<u>114,563</u>

Note 28. Contingent liabilities

The consolidated entity does not believe it has any contingent liability arising from any possible Native Title or other claims.

Royalty Agreements

On NORNICO Pty Limited (formerly known as QLD Gold Pty Limited) acquiring the Bell Creek Mining Leases, and the Minnamoolka and Kokomo tenements the company entered into royalty agreements with the previous owners of these tenements. Metallica has also entered into a royalty deed with the Dostal Superannuation Fund with respect to the Star River Limestone ML, as a condition of discharging a \$100,000 loan owed to the fund (this loan was converted to 1 million fully paid ordinary Metallica shares in April 2001).

The royalty agreements between Metallica Minerals Limited and third parties are summarised below.

Note 28. Contingent liabilities (continued)

Tenement/Company/Terms of the Royalty Agreement

ML 20549 - AO Australia Pty Limited

\$1.00/t for the first 5 Mt of ore produced and \$2.00/t for production of ore in excess of 5 Mt.

ML 10342 - Whim Creek Consolidated NL

\$50,000 per year upon granting of an ML, reduced by a royalty payable to WCC of \$1.00/ per dry tonne for production to 1 Mt of ore, \$1.50 per dry tonne from 1 – 3 Mt of ore and \$2.00/ dry tonne for production > 3 Mt of ore.

ML 10366 - Renison & Goldfields

\$1.00/t for the first 500,000t of ore produced and \$1.50/t for production in excess of 500,000t.of ore.

ML 10276 - Dostal Superannuation Fund

\$0.20 /t of Limestone produced from the Star River Limestone ML 10276 - this Royalty Agreement was terminated and paid out for \$10,000 in September 2015.

Indigenous Land Use Agreement (ILUA)

Metallica has negotiated an Indigenous Land Use Agreement (ILUA) with the Gugu Badhun People as the Traditional Landowners in the southern portion of the NORNICO project area. The ILUA was signed in Townsville on the 24th February 2005 and covers all of Metallica's southern NORNICO tenements from Broken River in the south to the Burdekin River in the North. The ILUA (QI2005/002) was approved by the National Native Title Tribunal (NNTT) on the 24th of August 2005 and is valid for 20 years.

Under the terms of the agreement, Metallica is required to pay for and facilitate a liaison committee which has to meet every 6 months. Metallica also has to pay a fixed daily amount to members of the Cultural Heritage Survey and Monitoring team, and pay an annual rental fee per exploration tenement for each Exploration Permit for Minerals (EPM) held by Metallica which fall within the area covered by the ILUA. Metallica has suspended the project and agreement, including the payments under the agreement, from late 2013.

The tenements which currently fall within ILUA QI2005/002 are listed below:

EPM 14518 – Mt Garnet South #2 (portion only)

EPM 10699 – Kokomo

EPM13873 – Six Mile

EPM 14070 – Greenvale North

EPM 14181 – Lucky Downs

EPM 14066 – Greenvale South

EPM 14381 – Greenvale South #2

Note 29. Commitments

	Consolidated	
	2016	2015
	\$	\$
<i>Commitments for maintaining exploration tenements payable</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	7,560	93,228
One to five years	30,240	372,912
	<u>37,800</u>	<u>466,140</u>
<i>Tenement rentals</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	118,213	146,142
One to five years	472,850	584,570
	<u>591,063</u>	<u>730,712</u>
<i>Operating lease commitments payable</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	119,853	160,124
One to five years	19,611	18,350
	<u>139,464</u>	<u>178,474</u>
<i>Oresome Joint Venture - the group's share of the tenement commitments made jointly with other joint venturers</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	87,284	95,360
One to five years	349,135	381,440
	<u>436,419</u>	<u>476,800</u>

Operating lease commitments includes contracted amounts for offices and equipment under non-cancellable operating leases. The office lease expires within 1 year with an option to extend. On renewal, the terms of the leases are renegotiated.

Note 30. Related party transactions

Parent entity

Metallica Minerals Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 32.

Joint operations

Interests in joint operations are set out in note 33.

Key management personnel

Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year other than those reported elsewhere in the financial report and remuneration report.

Note 30. Related party transactions (continued)

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 31. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of comprehensive income

	Parent	
	2016	2015
	\$	\$
Loss after income tax	(2,763,925)	(2,847,249)
Total comprehensive income	(2,763,925)	(2,847,249)

Statement of financial position

	Parent	
	2016	2015
	\$	\$
Total current assets	1,861,395	1,237,703
Total assets	6,268,446	6,342,806
Total current liabilities	158,480	275,954
Total liabilities	6,818,781	5,874,520
Equity		
Issued capital	32,205,513	30,603,461
Share-based payments reserve	8,046,733	7,903,478
Accumulated losses	(40,802,581)	(38,038,653)
Total equity/(deficiency)	(550,335)	468,286

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2016 and 30 June 2015.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2016 and 30 June 2015.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 32. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2016 %	2015 %
Oresome Australia Pty Limited	Australia	100.00%	100.00%
Greenvale Operations Pty Limited	Australia	100.00%	100.00%
Scandium Pty Limited	Australia	100.00%	100.00%
NORNICO Pty Limited	Australia	100.00%	100.00%
Phoenix Lime Pty Limited	Australia	100.00%	100.00%
Lucky Break Operations Pty Limited	Australia	100.00%	100.00%
Touchstone Resources Pty Limited	Australia	100.00%	100.00%
Oresome Bauxite Pty Limited*	Australia	100.00%	100.00%

* Oresome Bauxite Pty Limited is a wholly owned subsidiary of Oresome Australia Pty Limited.

Unless otherwise stated, the subsidiaries have share capital consisting solely of ordinary shares that are held directly by the consolidated entity, and the proportion of ownership interests is equal to the proportion of voting rights held by the consolidated entity. The country of incorporation is also their principal place of business.

Significant restrictions

There are no significant restrictions on the ability of the consolidated entity to access or use the assets and settle the liabilities of the consolidated entity.

Note 33. 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	
		2016 %	2015 %
Oresome Joint Venture	Australia	50.00%	56.67%

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 exploration for other Heavy Mineral Sands and Bauxite deposits on its tenements on the western side of Queensland's Cape York Peninsula. During the 30 June 2016 financial year, Ozore paid the final instalment of A\$1,000,000 and the JV is now a 50/50 joint venture. The HMS plant has been shipped from South Africa to Australia and the Joint Venture 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.

In addition to the \$1,000,000 final instalment paid by Ozore during the financial year ended 30 June 2016, Ozore and Metallica contributed additional capital of \$350,000 and \$400,000 respectively. Consequently, Metallica has recognised a net cash inflow of \$675,000 in the statement of cash flows, which represents Metallica's share of the cash contributed by Ozore.

Note 34. Events after the reporting period

No matter or circumstance has arisen since 30 June 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 35. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2016	2015
	\$	\$
Loss after income tax expense for the year	(5,747,331)	(7,722,353)
Adjustments for:		
Depreciation and amortisation	4,626	45,307
Write off of property, plant and equipment	9,452	-
Share-based payments	143,255	25,585
Impairment of plant and equipment	295,512	551,389
Impairment of exploration and evaluation expenditure	3,962,311	4,990,495
Impairment of mining assets	173,023	4,041,815
Gain on disposal of investment in MetroCoal Limited	-	(2,057,407)
Net gain on reduction of interest in joint operation and introduction of additional equity	(179,644)	(231,323)
Gain on formation of joint operation	-	(1,559,039)
Net gain on disposal of assets including inventory and property, plant and equipment	(682,639)	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	126,788	(74,964)
Decrease/(increase) in inventories	147,100	(55,663)
Decrease/(increase) in prepayments	15,010	(52,039)
Increase in other operating assets	-	(6,467)
Decrease in trade and other payables	(150,744)	(300,528)
Increase/(decrease) in employee benefits	(163,335)	10,302
Net cash used in operating activities	<u>(2,046,616)</u>	<u>(2,394,890)</u>

Note 36. Earnings per share

	Consolidated	
	2016	2015
	\$	\$
Loss after income tax attributable to the owners of Metallica Minerals Limited	<u>(5,747,331)</u>	<u>(7,722,353)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>177,873,888</u>	<u>166,069,912</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>177,873,888</u>	<u>166,069,912</u>
	Cents	Cents
Basic earnings per share	(3.23)	(4.65)
Diluted earnings per share	(3.23)	(4.65)

Options are considered to be potential ordinary shares but were anti-dilutive in nature and therefore the diluted loss per share is the same as the basic loss per share.

Note 37. Share-based payments

Employee Share Option Plan (ESOP)

At the 2011 annual general meeting, shareholder approval was obtained for potential future issues of securities under the ESOP as an exception to Listing Rule 7.1. The ESOP was established to assist in the retention and motivation of employees providing them with the opportunity to acquire shares in the company. The persons who are eligible to participate in the ESOP are employees of the company or their nominee who have been selected by the Board to participate in the ESOP. The options will be exercisable at a price to be determined at the absolute discretion of the Board.

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

On 20 December 2013, 500,000 options were granted to John Haley (Chief Financial Officer and Company Secretary). The options vested on grant date, are exercisable at 10 cents and expire on 31 December 2016. The fair value of the options granted was \$9,331.

On 21 August 2014, 500,000 options were granted to John Haley (Chief Financial Officer and Company Secretary). The options vested on grant date, are exercisable at 10 cents and expire on 31 December 2016. The fair value of the options granted was \$25,585.

Options

On 13 July 2015 the company granted 8,000,000 options to the Simon Slesarewich (CEO) in terms of his service agreement. The value of these options at grant date was \$89,032.

(a) 4 million options vested on commencement of employment. The first tranche of 2 million options are exercisable at 7.5 cents per option and expired on 1 July 2016 and the second tranche of 2 million options are exercisable at 10 cents per option and expire on 31 December 2016.

(b) 2 million options at an exercise price of 12.5 cents per option, vested on 14 July 2016 and expiring on 12 July 2017.

(c) 2 million options at an exercise price of 15 cents per option, vesting on the date on which the Board of Directors resolves to develop a bauxite mine in which the company holds at least a 40% interest. These options expire on 12 July 2018.

On 24 November 2015 the company granted 2,000,000 options to Andrew Gillies, a Non-executive Director of the company. The options are exercisable at \$0.10 per option and expire on 31 December 2016. The value of these options at grant date was \$54,223. The grant of the options will provide Andrew Gillies with reward and incentive for future services he will provide to the company to further the progress of the company.

Performance Rights Plan (PRP)

The establishment of the Performance Rights Plan (PRP) was approved by shareholders at the 2011 annual general meeting. The PRP is designed to:

(a) align the interests of eligible employees with shareholders through the allocation of equity based incentives which are linked to the performance of the company;

(b) attract, motivate and retain quality employees; and

(c) preserve cash reserves.

The performance rights have a nil exercise price and the performance hurdles applicable to any performance period (including how they will be measured) is set out in the invitation to the eligible employees. On vesting, one performance right is exercisable into one share in the company. There were no performance rights granted during the 2016 and 2015 financial years.

Metallica Minerals Limited
Notes to the financial statements
30 June 2016

Note 37. Share-based payments (continued)

Set out below are summaries of options granted:

2016							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
03/08/2011	03/08/2016	\$0.500	1,000,000	-	-	-	1,000,000
20/12/2013	31/12/2016	\$0.100	500,000	-	-	-	500,000
21/08/2014	31/12/2016	\$0.100	500,000	-	-	-	500,000
13/07/2015	01/07/2016	\$0.075	-	2,000,000	-	-	2,000,000
13/07/2015	31/12/2016	\$0.100	-	2,000,000	-	-	2,000,000
13/07/2015	12/07/2017	\$0.125	-	2,000,000	-	-	2,000,000
13/07/2015	12/07/2018	\$0.150	-	2,000,000	-	-	2,000,000
24/11/2015	31/12/2016	\$0.100	-	2,000,000	-	-	2,000,000
			2,000,000	10,000,000	-	-	12,000,000
Weighted average exercise price			\$0.300	\$0.110	\$0.000	\$0.000	\$0.140
2015							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
03/08/2011	03/08/2016	\$0.500	1,000,000	-	-	-	1,000,000
30/08/2011	30/08/2014	\$0.400	200,000	-	-	(200,000)	-
12/09/2011	12/09/2014	\$0.400	200,000	-	-	(200,000)	-
03/10/2011	03/10/2014	\$0.400	200,000	-	-	(200,000)	-
15/03/2013	31/03/2015	\$0.200	512,500	-	-	(512,500)	-
20/12/2013	31/12/2016	\$0.100	500,000	-	-	-	500,000
21/08/2014	31/12/2016	\$0.100	-	500,000	-	-	500,000
			2,612,500	500,000	-	(1,112,500)	2,000,000
Weighted average exercise price			\$0.340	\$0.100	\$0.000	\$0.310	\$0.300

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.73 years (2015: 1.30 years).

Measurement of fair values

The fair value of options granted was measured using the Black-Scholes option pricing model.

Options granted

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
13/07/2015	01/07/2016	\$0.048	\$0.075	86.04%	-	1.95%	\$0.009
13/07/2015	31/12/2016	\$0.048	\$0.100	86.04%	-	1.95%	\$0.010
13/07/2015	12/07/2017	\$0.048	\$0.125	86.04%	-	1.95%	\$0.011
13/07/2015	12/07/2018	\$0.048	\$0.150	86.04%	-	1.95%	\$0.014
24/11/2015	31/12/2016	\$0.090	\$0.100	80.81%	-	2.08%	\$0.027

The total expense arising from share-based payment transactions recognised during the period as part of employee benefits expense was \$143,255 (2015: \$25,585).

Metallica Minerals Limited
Directors' declaration
30 June 2016

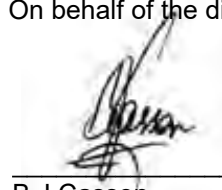
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



B J Casson
Chairman

19 September 2016
Brisbane

INDEPENDENT AUDITOR'S REPORT

To the members of Metallica Minerals Limited

Report on the Financial Report

We have audited the accompanying financial report of Metallica Minerals Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 report.

Opinion

In our opinion:

- (a) the financial report of Metallica Minerals Limited is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1, indicate 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 12 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Metallica Minerals Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd



A J Whyte

Director

Brisbane, 19 September 2016

Metallica Minerals Limited
Shareholder information
30 June 2016

The shareholder information set out below was applicable as at 31 August 2016.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	110
1,001 to 5,000	457
5,001 to 10,000	347
10,001 to 100,000	890
100,001 and over	288
	<u>2,092</u>
Holding less than a marketable parcel	<u>1,021</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares Number held	% of total shares issued
Jien Mining Pty Ltd	40,099,678	17.64
Golden Breed Pty Ltd	9,000,000	3.96
ABN AMRO Clearing Sydney Nominees Pty Ltd - Custodian A/C	6,456,354	2.84
Plan-1 Pty Ltd	5,333,334	2.35
Bondline Limited	4,910,966	2.16
Minnelex Pty Ltd - Pyper Family A/C	3,352,208	1.47
J P Morgan Nominees Australia Limited	2,969,465	1.31
Asden Investments Pty Limited - Asden P/L Staff S/F A/C	2,745,121	1.21
Mr Jimmy Fausto Caffieri and Mrs Lucia Caffieri - Caffieri Family A/C	2,666,667	1.17
Codan Trustees - The Mount Cotton Account	2,500,000	1.10
Mahe Investments Pty Ltd	2,500,000	1.10
Mr Andrew Langham Gillies & Mrs Karen Gillies - Andrew Gillies S/F A/C	2,140,000	0.94
Pure Water System (Aust) Pty Ltd - Pure Water Systems S/F A/C	2,000,000	0.88
China Xinfu Group Corporation Limited	1,964,386	0.86
Comsec Nominees Pty Limited	1,951,661	0.86
Jamesbury Holdings Pty Ltd - Superannuation Fund Account	1,700,000	0.75
MBM Corporation Pty Ltd	1,700,000	0.75
Armstrong Energy Services Pty Ltd	1,670,000	0.73
Australian Exports & Industrialisation Super Pty Ltd - Buck Family Super Fund A/C	1,500,000	0.66
Latsod Pty Ltd - Dostal Superfund A/C	1,500,000	0.66
	<u>98,659,840</u>	<u>43.40</u>

Metallica Minerals Limited
Shareholder information
30 June 2016

Twenty largest quoted option holders

	Options over ordinary shares	Options over ordinary shares % of total options issued
	Number held	
Plan-1 Pty Ltd	2,916,667	9.74
First Investment Partners Pty Ltd	2,133,334	7.13
Jayarem Pty Ltd	1,500,000	5.01
Mr Jimmy Fausto Caffieri & Mrs Lucia Caffieri	1,333,334	4.45
Dr Rosamund Julian Banyard & Mr Phillip Stanley Holten	1,045,120	3.49
Pure Water Systems (Aust) Pty Ltd	1,000,000	3.34
Super MSJ Pty Ltd	1,000,000	3.34
Mrs Carolyn Dow	933,765	3.12
M2 Assets Pty Ltd	833,334	2.78
Aviv Pty Ltd	666,668	2.23
Benjamin & Co Pty Ltd	666,668	2.23
Mahe Investments Pty Ltd	509,880	1.70
Bliznou Holdings Pty Ltd	500,001	1.67
Mr Domenico Giuseppe Zappia	500,000	1.67
Mr Tutu Phong	500,000	1.67
Mr Ryan James Rowe	500,000	1.67
CMC Markets Stockbroking Nominees Pty Limited	485,000	1.62
Minnelex Pty Ltd	478,887	1.60
Australian Exports & Industrialisation Super Pty Ltd	450,000	1.50
Mr Brett Robert McCartney	428,644	1.43
	<u>18,381,302</u>	<u>61.39</u>

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares % of total shares issued
	Number held
Jien Mining Pty Ltd	40,099,678
	17.64

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

APPENDIX “I”
PRO FORMA FINANCIALS

(see attached)

Pro forma statement of financial position

As at June 30, 2018

Unaudited

(Expressed in AUD \$000's)

	Metallica \$	Melior \$	Pro forma Adjustments \$	Notes	Pro forma Consolidated \$
Assets					
Current assets					
Cash and cash equivalents	6,113	1,767	-		7,880
Trade and other receivables	48	163	-		211
Prepaid expenses and other receivables	-	137	-		137
Shares in Australian Mines Limited	1,650	-	-		1,650
Inventories	-	58	-		58
Total current assets	7,811	2,125	-		9,936
Non-current assets					
Plant and equipment	1,057	5,436	-		6,493
Mineral Properties	-	4,964	5,345	3(a)	10,308
Exploration and evaluation	1,460	-	-		1,460
Other	141	1,573	-		1,714
Total non-current assets	2,658	11,973	5,345		19,975
Total assets	10,469	14,097	5,345		29,911
Liabilities					
Current liabilities					
Trade and other payables	326	2,092	-		2,418
Employee benefits	118	-	-		118
Other	-	1	-		1
Total current liabilities	444	2,093	-		2,537
Non-Current liabilities					
Loan payable	-	5,401	-		5,401
Unearned revenue	-	3,376	-		3,376
Rehabilitation and other provisions	-	1,588	-		1,588
Total non-current liabilities	-	10,365	-		10,365
Total liabilities	444	12,458	-		12,902
Net assets	10,025	1,639	5,345		17,009
Equity					
Issued capital	36,422	394,123	(36,422)	(3b)	409,493
			15,370	3(a)	
Reserves	8,325	165,986	(8,325)	(3b)	165,986
Deficit	(34,722)	(558,470)	34,722	(3b)	(558,470)
	10,025	1,639	5,345	-	17,009

Pro forma statement of operations
For the year ended June 30, 2018
Unaudited
(Expressed in AUD \$000's)

	Metallica	Melior	Pro forma Adjustments	Notes	Pro forma Consolidated
	\$	\$	\$		\$
Revenue	201	-	14	4(a)	215
Other income	6,000	-	403	4(a)	6,403
Expenses					
Advertising and promotional costs	(104)	-	(3)	4(a)	(107)
Rental expenses	(196)	-	(91)	4(a)	(287)
Employee benefits expense	(1,068)	-	(1,160)	4(a)	(2,228)
Exploration costs	(343)	-	-		(343)
Depreciation and amortisation expense	(5)	(606)	-		(611)
Impairment of loan	(186)	-	-		(186)
Listing fees and share register expenses	(92)	-	(37)	4(a)	(129)
Impairment of exploration and evaluation expenditure	(103)	-	-		(103)
Legal fees	(144)	-	(388)	4(a)	(532)
Marketing	(144)	-	(3)	4(a)	(147)
Project generation	(241)	-	-		(241)
Travel, accommodation and conferences	(140)	-	(179)	4(a)	(319)
Professional fees	(99)	-	(417)	4(a)	(516)
Other expenses	(141)	-	(1,382)	4(a)	(1,523)
Finance costs	(1)	(37)	-		(38)
General and administration	-	(3,659)	3,659	4(a)	-
Interest income		14	(14)	4(a)	-
Accretion on rehabilitation provision		(30)			(30)
Gain on sale of plant and equipment		174	(174)	4(a)	-
Impairment of investment		(963)			(963)
Rehabilitation		(800)			(800)
Share-based payments		(194)			(194)
Accretion convertible note		(961)			(961)
Research and development incentive		229	(229)	4(a)	-
Foreign exchange gain		(17)			(17)
Profit/(loss) before income tax expense	3,194	(6,850)	-		(3,657)
Income tax expense	-	-	-		-
Profit/(loss) after income tax	3,194	(6,850)	-		(3,657)
Other comprehensive income (expense) for the year, net of tax	-	(278)	-		(278)
Total comprehensive income	3,194	(7,128)	-		(3,935)
Basic and diluted earnings per share (cents)	0.0099	(0.2460)			(0.0041)

Metallica Minerals Limited

Notes to Unaudited Pro Forma Consolidated Financial Statements

(amounts in Australian thousands of dollars unless noted otherwise)

1. BASIS OF PRESENTATION

The unaudited pro forma consolidated statement of financial position as at June 30, 2018 and the unaudited pro forma consolidated statement of operations for the year ended June 30, 2018 of Metallica Minerals Limited (“Metallica”) were prepared for illustrative purposes only in compliance with National Instrument 51-102-Continuous Disclosure Obligations.

The unaudited pro forma consolidated statement of financial position and the unaudited pro forma consolidated statement of operations of Metallica are comprised of information derived from:

- the audited consolidated statement of financial position of Metallica as at June 30, 2018;
- the audited consolidated statement of financial position of Melior Resources Inc. (“Melior”) as at June 30, 2018;
- the audited consolidated statement of comprehensive income of Metallica for the year ended June 30, 2018;
- the audited consolidated statement of operations and comprehensive loss of Melior for the year ended June 30, 2018;

The unaudited pro forma consolidated financial statements do not include all of the disclosures required by International Financial Reporting Standards (“IFRS”) and should be read in conjunction with Metallica’s audited consolidated financial statements for the year ended June 30, 2018 and the audited consolidated financial statements of Melior for the year ended June 30, 2018.

The unaudited pro forma consolidated financial information gives effect to the proposed merger of Metallica and Melior as if it had occurred as at June 30, 2018, for the purposes of the unaudited pro forma consolidated statement of financial position and as at July 1, 2018 for the purposes of the unaudited pro forma consolidated statement of operations for the year ended June 30, 2018.

The accounting policies used in the preparation of the unaudited pro forma consolidated financial statements are consistent with those described in the consolidated financial statements of Metallica for the year ended June 30, 2018. Certain historical Melior amounts have been reclassified to conform to Metallica’s presentation.

The unaudited pro forma consolidated financial statements are not necessarily indicative of the results of operations that would have occurred had the acquisition of Melior been effected on the dates indicated, nor are the unaudited pro forma consolidated financial statements indicative of future periods. Actual amounts recorded upon consummation of the proposed acquisition will differ from such unaudited pro forma consolidated financial statements. Since the pro forma consolidated financial statements have been developed to retroactively show the effect of a transaction that is expected to occur at a later date (even though this was accomplished by following generally accepted practice and using reasonable assumptions), there are limitations inherent in the very nature of such pro forma data.

2. DESCRIPTION OF TRANSACTION

On September 12, 2018, Metallica and Melior entered into the Arrangement Agreement (“Arrangement Agreement”) pursuant to which Metallica has agreed to acquire all of the issued and outstanding Melior shares, which are listed on the TSX Venture Exchange (“TSXV”) under the symbol “MLR”, on the basis that each Melior shareholder will receive 20 common shares of Metallica (the “Exchange Ratio”) for each Melior share held (the “Merger”).

All of Melior’s outstanding options (“Melior Options”) will be exchanged for an equivalent option granted by Metallica (each, a “Replacement Option”) to purchase from Metallica the number of ordinary shares (rounded down to the nearest whole share) equal to: (i) the Exchange Ratio multiplied by (ii) the number of Melior shares subject to such Melior Option. Each such Replacement Option shall provide for an exercise price per ordinary share (rounded

up to the nearest tenth of a cent) equal to: (x) the exercise price per Melior share purchasable pursuant to such Melior Option; divided by (y) the Exchange Ratio.

All of Melior's outstanding warrants ("Melior warrants") will be exchanged for an equivalent option granted by Metallica (each, a "Replacement Warrant") to purchase from Metallica the number of ordinary shares (rounded down to the nearest whole number) equal to: (i) the Exchange Ratio multiplied by (ii) the number of Melior shares subject to such Melior Warrant. Each such Replacement Warrant shall provide for an exercise price per ordinary share (rounded up to the nearest tenth of a cent) equal to: (x) the exercise price per Melior share purchasable pursuant to such Melior Warrant; divided by (y) the Exchange Ratio.

The Exchange Ratio represents an implied purchase price of A\$0.0477 per Metallica share and a premium of 45% based on the 3-month volume weighted average prices of Metallica and Melior as at September 11, 2018.

On completion of the Merger, Melior shareholders will hold 64% of Metallica's issued capital and Melior will become a wholly owned subsidiary of Metallica. Metallica will remain listed on the ASX and Melior will be de-listed from the TSXV.

3. PRO FORMA CONDENSED CONSOLIDATED FINANCIAL POSITION ASSUMPTIONS AND ADJUSTMENTS

The unaudited pro forma consolidated statement of financial position of Metallica as at June 30, 2018 has been adjusted to reflect the following transactions as if the acquisition of Melior had been completed on June 30, 2018:

(a) The Merger is expected to be accounted for as a reverse acquisition under IFRS 3 Business Combinations.

The net assets acquired, and consideration paid for control of Metallica is preliminarily allocated as follows:

Cash and cash equivalents	6,113
Trade and other receivables	48
Shares in Australian Mines Limited	1,650
Property, plant and equipment	1,057
Exploration and evaluation assets	1,460
Other non-current assets including deposits	141
Urquhart Bauxite Project	5,345
Total Assets	15,814
Trade and other payables	326
Employee benefits	118
Total Liabilities	444
Net Assets Acquired	15,370
Consideration Paid	15,370

The value of the consideration to be paid has been determined based on the number of shares Melior would have had to issue to give the owners of Metallica the same percentage equity interest in the combined entity that results from the reverse acquisition.

(b) On the closing of the Merger, the share capital, reserves and deficit of Metallica are eliminated.

4. PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS AND ADJUSTMENTS

The unaudited pro forma consolidated statements of operations of Metallica for the year ended June 30, 2018 have been adjusted to reflect the following transactions as if the acquisition of Melior had been completed on July 1, 2018:

(a) To conform to Metallica's financial statement presentation.

5. PRO FORMA NET LOSS PER SHARE

The pro forma net loss per share for the year ended June 30, 2018 is as follows:

Pro forma net loss	\$	(3,657,000)
Weighted average shares outstanding		322,291,491
Pro forma shares issued for acquisition		579,599,260
Pro forma weighted average shares outstanding		901,890,751
Pro forma net basic and diluted loss per share (cents)	\$	(0.0041)

APPENDIX “J”

COMPARISON OF RELEVANT LAWS

In this Appendix “J” – “*Comparison of Relevant Laws*”, unless there is something in the subject matter or context inconsistent therewith, capitalized terms have the meanings ascribed to those terms in the “*Glossary of Terms*” as set out in the accompanying Circular.

Introduction

Metallica is a public company registered under Australian law. It is admitted to the official list of ASX.

Melior exists and is regulated under British Columbia law. Melior Shares are listed on the TSX-V. As Melior is a ‘reporting issuer’ in certain provinces of Canada, it is subject to Canadian securities laws, and due to its listing on the TSX-V, is also subject to the rules of the TSX-V.

If the Arrangement is implemented, the rights of Melior Shareholders who receive Metallica Shares will, in respect of those shares, be governed by the constitution of Metallica (“**Metallica’s Constitution**”), Australian law and in certain respects, the ASX Listing Rules.

A comparison of some of the material provisions of Australian company law and Canadian corporate law as they relate to Metallica and Melior, respectively, is set out below, along with a description of certain securities laws and stock exchange rules where applicable.

References to ‘Australian law’ where they appear in this Appendix “J” – “Comparison of Relevant Laws” are references to the ACA, ASX Listing Rules, the operating rules of the ASX Settlement Pty Limited (the “**ASX Settlement Operating Rules**”) and Australian common law, as applicable. References to ‘Canadian law’ are references to the BCBCA, Canadian corporate and securities laws and Canadian common law, as applicable. References to ‘TSX-V Rules’ are references to the market rules of the TSX-V, primarily embodied in the TSX Venture Exchange Corporate Finance Manual. The comparison below is not an exhaustive statement of all relevant laws, rules and regulations and is intended as a general guide only. Melior Shareholders should consult with their own legal adviser if they require further information.

Meetings of shareholders

Calling meetings

Metallica

Under the ACA, the annual general meeting of Metallica is required to be held within five months after the end of its financial year.

A general meeting of Metallica Shareholders may be called from time to time by the Metallica Board, individual directors or by Metallica Shareholders in the circumstances set out below. When requested to do so by Metallica Shareholders holding at least 5% of the votes that may be cast at the meeting or at least 100 Metallica Shareholders who are entitled to vote at the meeting, directors must call a general meeting within 21 days after the request is given to Metallica, and the meeting must be held not later than two months after the date upon which that request is first given.

Alternatively, Metallica Shareholders holding at least 5% of the votes that may be cast at the meeting may themselves call, and arrange to hold, a general meeting.

Melior

Under the BCBCA, a company must hold an annual meeting of shareholders at least once in each calendar year and not more than 15 months after the last preceding annual meeting. The BCBCA as well as Melior's articles provide that the Melior Board may call a meeting of shareholders at any time. The BCBCA further provides that the holders of not less than 5% of the issued Melior Shares that carry the right to vote at general meetings, at the date on which the requisition is received by Melior, may requisition the directors to call a general meeting of Melior Shareholders for the purposes stated in the requisition.

Notice of meetings

Metallica

As Metallica Shares are quoted on ASX, notice of a general meeting of Metallica must be given at least 28 days before the date of the proposed meeting. Metallica is required to give notice only to Metallica Shareholders entitled to vote at the meeting, as well as its directors and auditors. The quorum for a general meeting under Metallica's Constitution is three shareholders present in person, by proxy, attorney or representative and two shareholders present at a meeting reconvened due to a lack of quorum at the stated time for the meeting.

Melior

The BCBCA and Melior's articles requires that notice of a meeting of Melior Shareholders must be provided not less than 21 days, and not more than two months before the meeting to each shareholder entitled to vote at the meeting. Management proxy circulars, in the required form, are required to be provided under applicable Canadian securities law, for any solicitation of proxies by management.

Melior's articles provide that, subject to the special rights and restrictions attached to the shares of any class or series of shares, the quorum for the transaction of business at a meeting of shareholders is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the issued shares entitled to be voted at the meeting.

Voting requirements

Metallica

Unless the ACA or Metallica's Constitution requires a special resolution, resolutions are passed by a simple majority of votes cast on the resolution. Under the ACA, a special resolution may only be passed by Metallica Shareholders if Metallica gives to all Metallica Shareholders not less than 28 days' notice of its proposal to convene a general meeting to consider and vote upon that special resolution, specifying the intention to propose the special resolution and stating the terms of that special resolution. A special resolution must be passed by at least 75% of the votes cast by shareholders entitled to vote, who attend at the meeting, in person or by proxy.

The ACA requires certain matters to be resolved by a company by special resolution, including:

- o the change of name of the company;
- o any proposed amendment to the constitution of the company;
- o a selective reduction of capital or selective share buy-back;
- o where required, shareholder approval to the giving by the company of financial assistance in connection with an acquisition of shares in the company or a holding company of the company;
- o the conversion of the company from one type or form to another; and
- o a decision to wind up the company voluntarily.

Metallica's Constitution also stipulates certain matters to be resolved by special resolution, including the variation of class rights attaching to Metallica Shares.

Each Metallica Share (subject to any specific terms of issue) confers a right to vote at all general meetings. On a show of hands, each Metallica Shareholder present in person, or by proxy, attorney or body corporate representative,

has one vote. If a poll is held, Metallica Shareholders present in person or by their proxy, attorney or body corporate representative will have one vote for every Metallica Share held at the record date for the meeting.

A proxy's appointment must be signed and sent to Metallica or its share registry so as to be received at least 48 hours before the time and date for the convening of the meeting.

Melior

Under the BCBCA, certain extraordinary corporate actions, such as amalgamations, continuances, reorganizations and other extraordinary corporate actions such as liquidations (winding-ups) and arrangements, require approval of the shareholders by special resolution. The BCBCA permits amalgamations with companies not incorporated under the BCBCA. Under the BCBCA, a resolution passed by a special majority at a general meeting for which proper notice has been provided constitutes a special resolution. A special majority is a majority of votes, as specified by Melior's articles, that is at least two-thirds of the votes cast on the resolution. The BCBCA and Melior's articles provide that a special majority of votes is required for Melior to pass a special resolution at a meeting of shareholders. Unless the BCBCA or Melior's articles requires a special resolution, ordinary resolutions of Melior's shareholders are passed by a simple majority of votes cast on the resolution.

The BCBCA provides that, unless Melior's articles provide otherwise, each Melior Share entitles the holder to one vote at a meeting of shareholders. With respect to proxies, Melior's articles provide that a proxy for a meeting of shareholders must (a) be received at the registered office of Melior or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice, or if no number of days is specified, 2 business days, before the day set for the holding of the meeting or any adjourned meeting, or (b) unless the notice provides otherwise, be provided at the meeting to the chair of the meeting.

Shareholders' rights to bring a resolution before a meeting

Metallica

See "*Calling meetings*" above.

Melior

A shareholder proposal (a "**Proposal**") is a document setting out a matter that the submitter wishes to have considered at the next annual general meeting of Melior. Under the BCBCA, Proposals may be submitted by both registered and beneficial Melior Shareholders who have been Melior Shareholders for an uninterrupted period of at least two years and who are entitled to vote at an annual shareholders' meeting. To be valid the Proposal must be signed by qualified Melior Shareholders who are registered or beneficial holders of Melior Shares that either (a) constitute at least one percent of the issued and outstanding shares, or (b) have a fair market value of not less than \$2,000.

Directors

Directors' management of the business of the company

Metallica

Under Metallica's Constitution, the business of Metallica is to be managed by or under the direction of Metallica's directors. Those directors may exercise all the powers of Metallica, except any powers that the ACA, the ASX Listing Rules or Metallica's Constitution preserve for the exercise of Metallica Shareholders in a general meeting.

Melior

According to the BCBCA, the directors of Melior shall, subject to the BCBCA, the BCBCA regulations and Melior's articles, manage or supervise the management of the business and affairs of Melior.

Number and election of directors

Metallica

Under Metallica's Constitution, Metallica must have no less than three, nor more than nine (or a lesser number determined by the directors), directors. Under the ACA, at least two directors must ordinarily reside in Australia. At each annual general meeting, one-third of directors (or the number nearest to one-third) must retire from office but no director may retain office past the third consecutive annual general meeting following the director's appointment or three years (whichever is longer). The director or directors to retire are those who have been longest in office since their election and, as between those who became directors on the same day, as determined by lot unless they otherwise agree. A retiring director is eligible for re-election. The managing director is exempt from retirement by rotation. Casual vacancies between annual general meetings may be filled by appointments made by the Metallica Board. In addition, the Metallica Board has the power to appoint additional directors, but so that the total number of directors does not at any time exceed nine.

Melior

According to the BCBCA and Melior's articles, because Melior is a public company, it must have a minimum of three directors.

Amendments to constituent documents

Metallica

Any amendment to Metallica's Constitution must be approved by a special resolution passed by Metallica Shareholders present and voting on the resolution.

Melior

The required authorization to amend the Notice of Articles or articles of Melior under the BCBCA will be specified in the BCBCA or the articles of Melior based on the type of resolution. In many instances, including a change of name or amendments to the articles, the BCBCA or the articles may provide for approval solely by a resolution of the directors or by ordinary resolution of the shareholders. If the type of resolution is not specified in the BCBCA or the articles, most amendments will require a special (2/3) resolution of the shareholders to be approved by not less than two-thirds of the votes cast by the shareholders voting on the resolution.

Issue of new shares

Metallica

Subject to specified exceptions (for example, pro rata issues), ASX Listing Rule 7.1 applies to restrict Metallica from issuing, or agreeing to issue, more ordinary shares (or securities convertible or exercisable into ordinary shares) than the number calculated as follows in any 12-month period unless Metallica has shareholder approval – namely not in excess of 15% of the total of:

- o the number of fully paid ordinary shares on issue 12 months before the date of the issue or agreement; plus
- o the number of fully paid ordinary shares issued in the 12 months under a specified exception; plus
- o the number of partly paid ordinary shares that became fully paid in the 12 months; plus
- o the number of fully paid ordinary shares issued in the 12 months with shareholder approval; less
- o the number of fully paid ordinary shares cancelled in the 12 months; and
- o the number of fully paid ordinary shares issued or agreed to be issued in the 12 months before the date of issue or agreement to issue, but not under a specified exception or with shareholder approval.

In addition, under ASX Listing Rule 7.1A, at each Annual General Meeting of Metallica, it is possible for the company to obtain shareholder approval – that will remain valid until the next annual general meeting – to issue an additional 10% of the company’s shares (such number of shares being as determined in accordance with ASX Listing Rule 7.1), without seeking further shareholder approval at the time of issue.

Subject to certain exceptions, ASX Listing Rules 10.11 and 10.14 require the approval of Metallica Shareholders by ordinary resolution in order for Metallica to issue shares or options to directors. Under Metallica’s Constitution, Metallica directors may issue shares or other securities on terms determined by the directors at such times as they think fit, subject to the ACA, the ASX Listing Rules, and any special rights previously conferred on the holders of any existing Metallica Shares or other class of shares.

Melior

The BCBCA permits shares with or without par value. According to Melior’s Notice of Articles, Melior is authorized to issue an unlimited number of Melior Shares without par value. Melior Shares may be issued for such consideration as the directors of Melior may determine. Shares, such as Melior Shares issued by a company governed by the BCBCA, are non-assessable and may only be issued if consideration for such shares is fully paid. As a TSX-V listed company, issuances of securities by Melior are subject to the policies of the TSX-V. The TSX-V may impose conditions on a transaction or grant exemptions from its own requirements. The TSX-V will consider various factors, including the involvement of insiders in the transaction, whether the transaction materially affects control of the issuer, and whether a court or administrative body has considered the interests of Melior securityholders.

Protection of minority shareholders/oppression remedy

Metallica

Under the ACA, any Metallica Shareholder can bring an action in cases of conduct which is contrary to the interests of shareholders as a whole, or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, any shareholder(s), whether in their capacity as a shareholder or in any other capacity. Former shareholders can also bring an action if it relates to the circumstances in which they ceased to be a shareholder.

A statutory derivative action may also be instituted by a Metallica Shareholder, former Metallica Shareholder or person entitled to be registered as a Metallica Shareholder. In all cases, leave of the court to commence that action is required.

Melior

Under the BCBCA, a shareholder of a company and any other person whom the court considers an appropriate person to make an application has the right to apply to court on the grounds that: (i) the affairs of the company are being or have been conducted, or that the powers of the directors are being or have been exercised, in a manner oppressive to one or more of the shareholders, including the applicant, or (ii) some act of the company has been done or is threatened, or that some resolution of the shareholders or of the shareholders holding shares of a class or series of shares has been passed or is proposed, that is unfairly prejudicial to one or more of the shareholders, including the applicant. On such an application, the court may make such order as it sees fit, including an order to prohibit any act proposed by the company.

The BCBCA provides that shareholders entitled to vote on certain matters may exercise dissent rights and demand payment for the fair value of their shares (as of the last business day before the day the resolution on which the shareholder dissent was adopted), provided that they comply strictly with the requirements in the BCBCA. Dissent rights exist when there is a vote upon matters such as:

- o an alteration to Melior’s articles to alter restrictions on the powers of Melior or on the business it is permitted to carry on;
- o any adoption of an amalgamation agreement or an amalgamation in certain instances;

- o an arrangement, the terms of which arrangement permit dissent;
- o a sale, lease or other disposition of all or substantially all the undertaking of Melior other than in the ordinary course of business;
- o a continuance into a jurisdiction other than British Columbia; and
- o any other resolution, if dissent is authorized by the resolution.

There is no right of dissent in respect of an amalgamation between Melior and a wholly-owned subsidiary.

Takeovers requirements

Metallica

Australian law places restrictions on a person acquiring interests in the voting shares of a public company such as Metallica where, as a result of the acquisition, that person's or someone else's voting power in the company increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90% (the "20% Rule"). Generally, such acquisitions cannot be made unless:

- o the person does not acquire more than 3% of the voting shares in the company in the six-month period before the acquisition;
- o the acquisition is made with shareholder approval; or
- o the acquisition is made under a takeover bid made in accordance with Australian law.

There are numerous other exemptions from the application of the 20% Rule. Takeover bids must treat all shareholders, as far as is possible, equally and must not involve any Collateral Benefits being given to some target shareholders only. Various restrictions about conditional offers exist and there are also substantial restrictions concerning the withdrawal and suspension of takeover offers.

Melior

Under applicable Canadian securities legislation, a "take-over bid" occurs when there is an offer to acquire outstanding voting or equity securities made to any person in any province or territory where the securities subject to the offer, together with the securities owned or controlled by the offeror and its affiliates and associates, constitute 20% or more of the outstanding securities.

Unless an exemption is available, a take-over bid must be made to all holders of each class of voting or equity securities being purchased, and the same price per security - that is, identical consideration - must be offered to each holder of securities. These provisions require, among other things, the production, filing and mailing of a takeover bid circular to shareholders of the target company. Takeover bids must treat all securityholders alike and must not involve any collateral agreements, with certain exceptions for employment compensation arrangements. Except under certain circumstances, takeover bids must remain open for a minimum of 105 days from the date of the mailing of the circular, after which time all securities deposited under the offer may be taken up.

For the protection of target securityholders, the takeover bid rules contain various additional requirements, such as restrictions applicable to conditional offers and the withdrawal, amendment or suspension of offers. Securities regulators also retain a general public interest jurisdiction to regulate takeovers and may intervene to halt or prevent activity that is abusive. Issuer bids are regulated similarly to takeover bids.

There are extensive disclosure requirements associated with takeover bids, beginning with 'early warning' disclosure required when an acquirer crosses the 10% ownership threshold. Generally, further disclosure is required for additional purchases or dispositions of 2% or more of the outstanding security for which such early warning disclosure is required. Purchases outside the bid, before, during, and after the bid, are also restricted.

Following a bid, second step transactions where the acquirer brings its percentage ownership to 100% are governed by the BCBCA. No shareholder approval of the acquisition would be required if the acquirer obtained 90% of the outstanding securities owned by minority securityholders during the bid. Otherwise, a meeting must be called and associated regulations complied with for an acquisition, including obtaining a two-thirds majority approval. The

acquirer is generally permitted to vote the shares acquired pursuant to the bid at such meeting. Appraisal (or dissent) rights are available for objecting shareholders who fulfil certain procedural requirements.

Canadian securities laws allow certain exemptions to the formal bid requirements, on specified conditions. For example, private agreements to purchase securities from up to five persons are permitted if the purchase price does not exceed 115% of the market price. Under the normal course purchase exception, the offeror (together with any joint offerors) may acquire up to 5% of a class of securities within a 12-month period if there is a published market for the relevant class and the consideration paid does not exceed the market price at the date of acquisition.

Takeover defence mechanisms

Metallica

Under Australian takeovers legislation and policy, boards of target companies are limited in the defensive mechanisms that they can adopt to discourage or defeat a takeover bid, as such mechanisms may not always be in the best interests of the shareholders of the target company. Such tactics may also give rise to a declaration of unacceptable circumstances by the Australian Takeovers Panel, which if so declared, could result in the prohibition, termination of progress or unwinding of the takeover bid.

Melior

The CSA have recognised that takeover bids play an important role in the economy by acting as a discipline on corporate management and as a means of reallocating economic resources to their best uses. In considering the merits of a takeover bid, there is a possibility that the interests of management of the target company will differ from those of its shareholders. The CSA considers the primary objective of the takeover bid provisions of Canadian securities legislation to be the protection of the bona fide interests of the shareholders of the target company. Because certain defensive measures taken by management of a target company may have the effect of denying shareholders the ability to make a fully informed decision and frustrating an open takeover bid process, the CSA will therefore examine target company defensive tactics in specific cases to determine whether they are abusive of shareholder rights.

Without limiting the foregoing, defensive tactics that may come under scrutiny if undertaken during the course of a bid, or immediately before a bid (if the board of directors has reason to believe that a bid might be imminent) include:

- o the issuance of or granting of an option on or the purchase of, securities representing a significant percentage of the outstanding securities of the target company;
 - o the sale or acquisition or granting of an option on, or agreeing to sell or acquire assets of a material amount; and
 - o the entering into a contract or taking corporate action other than in the normal course of business.
- Shareholder approval of corporate action may be a factor in the decision as to whether the tactics are appropriate.

Notwithstanding the above, defensive tactics may be taken by a board of directors of a target company in a genuine attempt to obtain a better bid; however, tactics that are likely to deny or limit severely the ability of the shareholders to respond to a takeover bid or a competing bid may result in action by the CSA.

Financial Disclosure

As a company incorporated in Australia, Metallica is only obligated to supply financial accounts to shareholders semi-annually rather than quarterly as is the case for British Columbia companies regulated primarily by Canadian securities laws. Additionally, as a mineral exploration and development company listed on the ASX, Metallica is required to file a quarterly cash flow statement and a quarterly activity report in accordance with the ASX Listing Rules.

If, on a fully-diluted basis, 10% or fewer of the Metallica Shares upon completion of the Arrangement, are owned, directly or indirectly, by residents in Canada, Metallica will, pursuant to the provisions of NI 71-102, be permitted to report in Canada as a “designated foreign issuer”. If Metallica Shareholders resident in Canada own, directly or indirectly, greater than 10% of the Metallica Shares upon completion of the Arrangement, on a fully-diluted basis, Metallica intends to apply to the Ontario Securities Commission (which, if the Arrangement is completed, will be Metallica’s principal regulator under the procedures described under MI 11-102) for exemptive relief so that Metallica is permitted to report as a “designated foreign issuer” under NI 71-102.

As a “designated foreign issuer”, Metallica will be exempt from most of the continuous disclosure requirements of Canadian securities legislation provided Metallica complies with the continuous disclosure requirements of Australia. Melior Shareholders should be aware that, generally, reporting issuers in Australia are not required to prepare and file quarterly financials or quarterly and annual MD&As. Rather, such issuers only prepare an annual and semi-annual report. However, certain mining production and mining exploration entities are required by the ASX Listing Rules to prepare and file a quarterly activities report and quarterly cashflow report. These requirements currently apply to Metallica but may not apply in the future depending on Metallica’s activities and circumstances. As such, if Metallica, following the completion of the Arrangement, is permitted to report in Canada as a “designated foreign issuer”, Metallica Shareholders including those Melior Shareholders who have received Metallica Shares pursuant to the Arrangement will not receive financial reports prepared by Metallica on a quarterly basis or MD&As on a quarterly and annual basis, and may not, should Metallica’s circumstances change, receive a quarterly activities report or quarterly cashflow report.

Taxation

A discussion of Australian taxation applicable to Metallica is beyond the scope of this Appendix “J” – “Comparison of Relevant Laws”.

APPENDIX “K”

MELIOR STOCK OPTION PLAN RESOLUTION

BE IT RESOLVED THAT:

1. The Stock Option Plan attached as Appendix “L” to the management information circular dated October 25, 2018 in respect of the annual and special meeting of the shareholders of the Corporation to be held on November 27, 2018 is approved and readopted as the stock option plan of Melior Resources Inc. (the “Corporation”); and
2. Any one officer or director of the Corporation is authorized and directed, for and on behalf of the Corporation, to do, or cause to be done, all such acts and things and execute, whether under the corporate seal or otherwise, and deliver, or cause to be delivered, such other documents, agreements, certificates and statements, as any such director or officer of the Corporation may deem necessary or desirable in order to carry out the foregoing resolution, the authority for the execution of such documents, agreements, certificates and statements and the doing of such other acts or things to be conclusively evidenced thereby.

L-1

APPENDIX “L”

MELIOR STOCK OPTION PLAN

(see attached)

MELIOR RESOURCES INC.

STOCK OPTION PLAN

Dated October 17, 2006

**(Amended and Restated
September 28, 2007,
November 15, 2010,
October 27, 2011
and January 22nd, 2016)**

MELIOR RESOURCES INC.

STOCK OPTION PLAN

ARTICLE ONE PURPOSE AND INTERPRETATION

Section 1.01 Purpose. The purpose of this Plan is to advance the interests of the Corporation by encouraging equity participation in the Corporation by its directors, senior officers, employees and Consultants through the acquisition of Common Shares and to enable the Corporation to attract and maintain highly qualified directors, senior officers, employees and Consultants.

Section 1.02 Definitions. In this Plan, the following capitalized words and terms shall have the following meanings:

- (a) “**Act**” means the *Business Corporations Act* (British Columbia), or its successor, as amended from time to time.
- (b) “**Affiliated Entity**” means a person or company that controls or is controlled by the Corporation or that is controlled by the same person or company as the Corporation.
- (c) “**Applicable Withholdings and Deductions**” shall have the meaning specified in Section 3.10 of this Plan.
- (d) “**Associate**” shall have the meaning ascribed thereto in the Securities Act.
- (e) “**Black Out Period**” means any period during which a policy of the Corporation prevents an Insider from trading in the securities of the Corporation, but under no circumstances includes periods during which the Corporation or the Insider is subject to a cease trade order or other similar regulatory order.
- (f) “**Board of Directors**” means the board of directors of the Corporation as constituted from time to time.
- (g) “**Change of Control**” shall have the meaning specified in Section 2.07(g) of this Plan.
- (h) “**Common Shares**” means the common shares of the Corporation.
- (i) “**Consultant**” means a person or company, other than an employee, senior officer or director of the Corporation, that: (i) is engaged to provide services to the Corporation or to an Affiliated Entity, other than services in relation to a distribution; (ii) provides the services under a written contract with the Corporation or the Affiliated Entity; and (iii) spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliated Entity, and includes, for an individual

Consultant, a company of which the individual Consultant is an employee or shareholder, and a partnership of which the individual Consultant is an employee or partner.

- (j) **“Corporation”** means Melior Resources Inc., a corporation incorporated under the Act, and its successors from time to time.
- (k) **“Disability”** means, in respect of a Participant, a physical or mental incapacity of the Participant that has prevented the Participant from performing the duties customarily assigned to the Participant by or in respect of the Corporation or an Affiliated Entity for 180 days, whether or not consecutive, out of any 12 consecutive month period and that in the opinion of the Board of Directors, acting reasonably, is likely to continue.
- (l) **“Event of No Fault Termination”** means the termination of employment of the Participant with the Corporation or an Affiliated Entity:
 - (i) without cause; or
 - (ii) on the death or Disability of the Participant.
- (m) **“Event of Termination”** means:
 - (i) the termination of employment with cause of the Participant with the Corporation or an Affiliated Entity (excluding, for greater certainty, termination of employment arising from the death or Disability of the Participant);
 - (ii) the voluntary termination of employment of the Participant, retirement or leaving of employment with the Corporation or an Affiliated Entity (except on death or Disability, and except for the purpose of entering into employment with the Corporation or an Affiliated Entity); or
 - (iii) for a Participant who is not an employee of the Corporation, the ceasing to be a director or senior officer of the Corporation or an Affiliated Entity.
- (n) **“Exchange”** means the TSX Venture Exchange, or such other stock exchange or quotation system upon which the Common Shares are then listed and posted or quoted for trading.
- (o) **“Holding Entity”** means any person or entity that is controlled by an individual.
- (p) **“Insider”** shall have the meaning ascribed thereto in the Securities Act.
- (q) **“Issuer Bid”** shall have the meaning ascribed thereto in the Securities Act.
- (r) **“Investor Relations Activities”** shall have the meaning ascribed thereto in the TSX Venture Exchange Corporate Finance Manual.

- (s) **“Option Period”** means the period of time an option may be exercised as specified in Section 2.07(a) of this Plan.
- (t) **“Participant”** means a participant under this Plan as described in Section 2.02 of this Plan.
- (u) **“Permitted Assign”** means, for a Participant:
 - (i) a trustee, custodian or administrator acting on behalf of, or for the benefit of, the Participant;
 - (ii) a wholly-owned Holding Entity of the Participant; or
 - (iii) a RRSP or RRIF of the Participant.
- (v) **“Plan”** means the stock option plan of the Corporation provided for herein.
- (w) **“RRSP”** means a registered retirement savings plan as defined in the *Income Tax Act* (Canada).
- (x) **“RRIF”** means a registered retirement income fund as defined in the *Income Tax Act* (Canada).
- (y) **“Securities Act”** means the *Securities Act* (Ontario), or its successor, as amended from time to time.
- (z) **“Share Compensation Arrangement”** means a stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of securities of the Corporation to one or more service providers, including a share purchase from treasury which is financially assisted by the Corporation by way of a loan, guarantee or otherwise.
- (aa) **“Take-over Bid”** shall have the meaning ascribed thereto in the Securities Act.

ARTICLE TWO STOCK OPTION PLAN

Section 2.01 The Plan. The Plan is hereby established for certain directors, senior officers, employees and Consultants of the Corporation and its Affiliated Entities.

Section 2.02 Participants and Permitted Assigns.

- (a) Participants in the Plan shall be directors, senior officers, employees or Consultants of the Corporation or Affiliated Entities who, by the nature of their positions or jobs are, in the opinion of the Board of Directors, in a position to contribute to the success of the Corporation. All options granted hereunder shall be evidenced by an “Option Agreement” between the Corporation and the Participant substantially in the form of Schedule 1.
- (b) At the request of any Participant and in accordance with applicable laws, options granted to such Participant may be issued to and registered in the name of a Permitted Assign of such Participant and, in such event, the provisions of this Plan shall apply to such options *mutatis mutandis* as though they were issued to and registered in the name of the Participant. Such election must be made prior to the execution of the Option Agreement described in Section 2.02(a).
- (c) Upon the grant of each option, an “Option Confirmation”, substantially in the form of Schedule 2, shall be delivered by the Corporation to the Participant and form part of the Option Agreement. If applicable, the Option Confirmation shall indicate the number of options, if any, that the Participant has elected to have granted directly to Permitted Assigns of the Participant.
- (d) The Corporation represents that no options will be granted except to *bona fide* directors, senior officers, employees or Consultants of the Corporation or Affiliated Entities in their capacity as such.

Section 2.03 Amount of Options. The determination regarding the aggregate number of Common Shares subject to options in favour of any Participant will take into consideration the Participant’s present and potential contribution to the success of the Corporation and shall be determined from time to time by the Board of Directors. The aggregate number of Common Shares reserved for issuance upon the exercise of options pursuant to this Plan, subject to adjustment or increase of such number pursuant to Section 2.10, shall not exceed 10% of the issued and outstanding Common Shares at the time of the granting of an option. The number of Common Shares reserved for issuance to any one person pursuant to options shall not exceed 5% of the issued and outstanding Common Shares. The number of Common Shares reserved for issuance to any one director who is not also an employee of the Corporation pursuant to options shall not exceed 2% of the issued and outstanding Common Shares. All options previously issued by the Corporation to its directors, senior officers, employees and Consultants that are outstanding as at the date of this Plan to acquire Common Shares, shall be deemed, as of the

effective date of this Plan, to have been granted and issued under this Plan, shall constitute options to acquire Common Shares, shall have the same terms and conditions as to exercise price and vesting period as are currently applicable to such options and shall otherwise be governed by the terms and conditions of this Plan.

Section 2.04 Limits with respect to Insiders.

- (a) The number of Common Shares issuable to Insiders pursuant to options granted under the Plan, together with Common Shares issuable to Insiders under any other Share Compensation Arrangement of the Corporation, shall not:
 - (i) exceed 10% of the number of Common Shares outstanding immediately prior to the grant of any such option; or
 - (ii) result in the issuance to Insiders, within a 12 month period, of in excess of 10% of the number of Common Shares outstanding immediately prior to the grant of any such option.
- (b) The number of Common Shares issuable to any Insider and such Insider's Associates pursuant to options granted under the Plan, together with Common Shares issuable to such Insider or such Insider's Associates under any other Share Compensation Arrangement of the Corporation shall not, within a 12 month period, exceed 5% of the number of Common Shares outstanding immediately prior to the grant of any such option.
- (c) Any Common Shares issuable pursuant to an option granted to a Participant prior to the Participant becoming an Insider shall be included for the purposes of the limits set out in Sections 2.04(a) and 2.04(b).

Section 2.05 Other Limits.

- (a) The number of options granted to a Participant under the Plan, together with grants to such Participant under any other Share Compensation Arrangement of the Corporation, shall not result in the grant to such Participant of in excess of 5% of the number of Common Shares outstanding immediately prior to the grant of any such options within any 12 month period unless disinterested shareholder approval is obtained.
- (b) The number of options granted to a Consultant under the Plan, together with grants to such Consultant under any other Share Compensation Arrangement of the Corporation, shall not result in the grant to such Consultant of in excess of 2% of the number of Common Shares outstanding immediately prior to the grant of any such options within any 12 month period.
- (c) The aggregate number of options granted to Participants engaged in Investor Relations Activities, if any, under the Plan, together with grants to such Participants under any other Share Compensation Arrangement of the Corporation, shall not result in the grant to such Participants of in excess of 2% of the number of Common Shares outstanding

immediately prior to the grant of any such options within a 12 month period.

In addition, any options granted to Consultants performing Investor Relations Activities must vest in stages over twelve months with no more than one quarter of the options vesting in any three month period.

Section 2.06 Price. The exercise price per Common Share shall be determined by the Board of Directors at the time the option is granted, but such price shall not be less than the closing price of the Common Shares on the Exchange on the last trading day preceding the date on which the grant of the option is approved by the Board of Directors (for greater certainty, such price shall not be less than the Discounted Market Price (as defined in the TSX Venture Exchange Corporate Finance Manual) if the Common Shares are listed on the TSX Venture Exchange). In the event that the Common Shares are not listed and posted for trading on the Exchange, the exercise price shall be the fair market value of the Common Shares as determined by the Board of Directors.

Section 2.07 Lapsed Options. In the event that options granted under this Plan are surrendered in accordance with the provisions of this Plan, terminate or expire without being exercised in whole or in part, the Common Shares reserved for issuance but not purchased under such lapsed options shall be available for subsequent options to be granted under Plan.

Section 2.08 Consideration, Option Period and Payment.

- (a) The period during which options may be exercised shall be determined by the Board of Directors to a maximum of ten (10) years from the date the option is granted (the “**Option Period**”), except as the same may be reduced with respect to any option as provided in Section 2.08 respecting termination of employment or death of the Participant. The vesting period of the options shall be determined and/or amended by the Board of Directors. Each option must vest within its Option Period and an option may not be exercised until it has vested.

Notwithstanding the foregoing or any other provision in this Plan or in any Option Agreement, if the end of the Option Period for an option subject to this Plan occurs during a Black Out Period or within two (2) business days following a Black Out Period, the Option Period for such option shall be automatically extended so that it ends ten (10) days following the end of such Black Out Period.

- (b) Subject to any other provision of this Plan, an option may be exercised from time to time during the Option Period by delivery to the Corporation at its registered office of a written “Notice of Election to Exercise Option” addressed to the Secretary of the Corporation, substantially in the form of Schedule 3, specifying the number of Common Shares with respect to which the option is being exercised and accompanied by payment in full of the exercise price for the Common Shares. Certificates for such Common Shares shall be issued and delivered to the Participant as soon as practicable following receipt of such notice and payment.

- (c) Except as set forth in Section 2.08, no option may be exercised unless the Participant is, at the time of such exercise, a director, senior officer, employee or Consultant of the Corporation or Affiliated Entity and shall have been continuously a director, senior officer, employee or Consultant since the grant of his, her or its option. Absence on leave with the approval of the Corporation or Affiliated Entity shall not be considered an interruption of employment for purposes of this Plan.
- (d) The exercise of any option will be contingent upon receipt by the Corporation of cash payment of the full exercise price of the Common Shares which are the subject of the exercised option. No Participant or his, her or its legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any Common Shares with respect to which he, she or it was granted an option under this Plan, unless and until certificates for such Common Shares are issued under the terms of this Plan.
- (e) Notwithstanding any other provision of this Plan or in any option granted to a Participant, the Corporation's obligation to issue Common Shares to a Participant pursuant to the exercise of an option shall be subject to:
 - (i) completion of such registration or other qualification of such Common Shares or obtaining approval of the Exchange and of such other regulatory authorities as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
 - (ii) the admission of such Common Shares for listing and posting for trading or quotation, as the case may be, on the Exchange; and
 - (iii) the receipt from the Participant of such representations, warranties, agreements and undertakings, including as to future dealings in such Common Shares, as the Corporation or its counsel determines to be necessary or advisable in order to ensure compliance with all applicable securities laws.
- (f) If there is a Take-over Bid or Issuer Bid (other than a "Normal Course" Issuer Bid) made for all or any of the issued and outstanding Common Shares, then the Board of Directors may, by resolution, permit all options outstanding, vested and unvested, under the Plan to become immediately exercisable (subject to any limitations the Board of Directors may impose and, if required, subject to Exchange approval) in order to permit Common Shares issuable under such options to be tendered to such bid.
- (g) In the event of a Change of Control (as defined below), then the Board of Directors may, by resolution, permit all options outstanding, vested and unvested, under the Plan to become immediately exercisable (subject to any limitations the Board of Directors may impose and, if required, subject to Exchange approval). For the purposes of this provision, a "Change of Control" will be deemed to have occurred when:
 - (i) a person (which includes a partnership or corporation) acting alone or jointly or in concert with others, acquires beneficial ownership of voting securities of the Corporation which, together with voting securities of the Corporation already

owned by such person or persons, constitutes in the aggregate 50% or more of the outstanding voting securities of the Corporation. A person who is principally engaged in the business of managing investment funds for unaffiliated securities investors and, as a part of such person's duties for fully managed accounts, holds or exercises voting power over voting securities of the Corporation, will not, solely by reason thereof, be considered to be a beneficial owner of such voting securities;

- (ii) the Corporation agrees to amalgamate, consolidate or merge with another body corporate;
- (iii) any resolution is passed or any action or proceeding is taken with respect to the liquidation, dissolution or winding up of the Corporation; or
- (iv) the Corporation decides to sell, lease, or otherwise dispose of all, or substantially all, of its assets.

Section 2.09 Termination of Employment.

- (a) Upon the occurrence of an Event of Termination, the right of a Participant to exercise vested options shall cease immediately without taking into account any notice or severance period to which the Participant may be entitled whether by contract, express or implied, or at law.
- (b) Upon the occurrence of an Event of No Fault Termination, the vested options granted to a Participant may be exercised only before the earlier of the following:
 - (i) the close of business on the expiry date of the Option Period; and
 - (ii) 90 days following the date of the Event of No Fault Termination (which date shall be calculated without reference to any notice or severance period to which the Participant may be entitled whether by contract, express or implied, or at law).
- (c) Upon the occurrence of an Event of Termination or Event of No Fault Termination, all unvested options granted to the Participant shall terminate immediately.

Section 2.10 Death of Participant. In the event of the death of a Participant (for certainty, being an Event of No Fault Termination), the options granted to the Participant shall be exercisable, in accordance with Section 2.08, for a period of up to one year from the date of death by the person or persons to whom the Participant's rights under the option shall pass by the Participant's will or the laws of descent and distribution.

Section 2.11 Adjustment in Common Shares Subject to the Plan. In the event that:

- (a) there is any change in the Common Shares through subdivisions or consolidations of the share capital of the Corporation, or otherwise;

- (b) the Corporation declares a dividend out of the ordinary course on the Common Shares payable in Common Shares or securities convertible into or exchangeable for Common Shares; or
- (c) the Corporation issues Common Shares, or securities convertible into or exchangeable for Common Shares, in respect of, in lieu of, or in exchange for, existing Common Shares,

the number of Common Shares available for option, the Common Shares subject to any option, and the option price thereof, shall be adjusted appropriately by the Board of Directors and such adjustment shall be effective and binding for all purposes of this Plan, subject to the prior consent of the Exchange (if such consent is required under the rules of the Exchange).

Section 2.12 Record Keeping. The Corporation shall maintain a register in which shall be recorded:

- (a) the name and address of each Participant in this Plan; and
- (b) the number of options granted to a Participant and/or Permitted Assign of the Participant (as applicable) and the number of options outstanding.

ARTICLE THREE GENERAL

Section 3.01 Transferability. The benefits, rights and options accruing to any Participant in accordance with the terms and conditions of this Plan shall not be assignable or transferable by the Participant except as otherwise specifically provided herein and in accordance with applicable law. During the lifetime of a Participant, all benefits, rights and options shall only be exercised by the Participant or by his or her guardian or legal representative.

Section 3.02 Employment. Nothing contained in this Plan shall confer upon any Participant any right with respect to employment or continuance of employment with the Corporation or Affiliated Entity, or interfere in any way with the right of the Corporation or Affiliated Entity to terminate the Participant's employment at any time. Participation in this Plan by a Participant shall be voluntary.

Section 3.03 Delegation to a Compensation Committee. All of the powers exercisable by the Board of Directors under this Plan may, to the extent permitted by applicable law and authorized by resolution of the Board of Directors, be exercised by a compensation committee of not less than three (3) directors. A majority of the members of any such compensation committee shall not be employees or senior officers of the Corporation. In addition, if determined appropriate by the Board of Directors, the Board of Directors may delegate any or all of the powers of the Board of Directors under the Plan to an independent consultant.

Section 3.04 Administration of the Plan. This Plan shall be administered by the Board of Directors. The Board of Directors shall be authorized to interpret and construe this Plan and may,

from time to time, establish, amend or rescind guidelines, rules, regulations and interpretations required for carrying out the purposes, provisions and administration of this Plan and determine the Participants to be granted options, the number of Common Shares covered thereby, the exercise price therefor and the time or times when they may be exercised. Any such interpretation or construction of this Plan shall be final and conclusive. All administrative costs of this Plan shall be paid by the Corporation. The directors and senior officers of the Corporation are hereby authorized and directed to do all things and execute and deliver all instruments, undertakings and applications and writings as they consider necessary for the implementation of this Plan and of the rules and regulations established for administering this Plan.

Section 3.05 Amendment, Modification or Termination of the Plan. Subject to Section 3.03, the Board of Directors may, at any time and from time to time, amend, suspend or terminate the Plan without shareholder approval, provided that no such amendment, suspension or termination may be made without obtaining any requisite regulatory or Exchange approval or the consent or deemed consent of an Option Holder where such amendment, suspension or termination materially prejudices the rights of the Option Holder.

The Board of Directors may not, without the prior approval of the shareholders of the Corporation, make amendments to the Plan for any of the following purposes:

- (a) to increase the maximum number of Common Shares issuable under the Plan above the limits set out in Section 2.03;
- (b) to reduce the exercise price of outstanding options and, in the event that such options are owned at the time of the proposed amendment by Insiders, without prior disinterested shareholder approval;
- (c) to cancel an option subject to this Plan for the purpose of exchange for reissuance at a lower exercise price to the same person;
- (d) to extend the expiry date of an outstanding option, except where the expiry date is extended because it would have occurred during a Black Out Period;
- (e) to extend the expiry date of an outstanding option, except where the expiry date has been accelerated due to the death, termination upon retirement, termination by reason of disability or otherwise of the Option Holder, provided however, that the option cannot be extended beyond the expiry date originally set at the time of the option grant;
- (f) to amend the transferability provision of the Plan, other than to Permitted Assigns or for estate planning or estate settlement purposes;
- (g) to make any amendment for which applicable law or rules of the Exchange require approval of the shareholders of the Corporation;

- (h) to amend this section 3.5; and
- (i) to expand the class of Participants to whom options may be granted under the Plan.

Other than as specified above, the Board of Directors may approve all other amendments to the Plan. Without limiting the generality of the foregoing, the following types of amendments to the Plan shall not require shareholder approval:

- (a) amendments of a “housekeeping” nature, including those required to clarify any ambiguity or rectify any inconsistency in the Plan;
- (b) amendments required to comply with mandatory provisions of applicable law, including the rules and regulations of the Exchange;
- (c) amendments which are advisable to accommodate changes in tax laws;
- (d) extension of accelerated expiry dates to, but not beyond, the expiry date originally set at the time of the option grant;
- (e) amendments to the vesting provisions of any grant under the Plan; and
- (f) amendments to the terms of options in order to maintain option value in connection with a conversion, change, reclassification, redesignation, subdivision or consolidation of Common Shares or a reorganization, amalgamation, consolidation, merger or takeover bid or similar type of transaction involving the Corporation.

Section 3.06 Consolidation, Merger, etc. If there is a consolidation, merger or statutory amalgamation or arrangement of the Corporation with or into another corporation, a separation of the business of the Corporation into two or more entities or a transfer of all or substantially all of the assets of the Corporation to another entity, upon the exercise of an option under this Plan, the holder thereof shall be entitled to receive the securities, property or cash which the holder would have received upon such consolidation, merger, amalgamation, arrangement, separation or transfer if the holder had exercised the option immediately prior to such event, unless the directors of the Corporation otherwise determine the basis upon which such option shall be exercisable.

Section 3.07 No Representation or Warranty. The Corporation makes no representation or warranty as to the future market value of any Common Shares issued in accordance with the provisions of this Plan.

Section 3.08 Expenses. All fees and expenses incurred by the Corporation in connection with this Plan shall be borne by the Corporation. All expenses incurred by a Participant in connection with a grant or exercise of options, including all fees and expenses of financial or legal advisors retained by such Participant in connection therewith, shall be borne by the Participant.

Section 3.09 Applicable Law. This Plan shall be governed by and construed in accordance with the laws in force in the Province of Ontario and the federal laws of Canada applicable therein.

Section 3.10 Tax Withholding. Notwithstanding any other provision contained herein, in connection with the exercise of an option by a Participant from time to time, as a condition to such exercise (i) the Corporation shall require such Participant to pay to the Corporation or the relevant Affiliated Entity an amount as necessary so as to ensure that the Corporation or such Affiliated Entity, as applicable, is in compliance with the applicable provisions of any federal, provincial or local law relating to the withholding of tax or other required deductions (the “**Applicable Withholdings and Deductions**”) relating to the exercise of such options; or (ii) in the event a Participant does not pay the amount specified in (i), the Corporation shall be permitted to engage a broker or other agent, at the risk and expense of the Participant, to sell an amount of underlying Common Shares issuable on the exercise of such options through the facilities of the Exchange, and to apply the cash received on the sale of such underlying Common Shares as necessary so as to ensure that the Corporation or the relevant Affiliated Entity, as applicable, is in compliance with the Applicable Withholdings and Deductions relating to the exercise of such options. In addition, the Corporation or the relevant Affiliated Entity, as applicable, shall be entitled to withhold from any amount payable to a Participant, either under this Plan or otherwise, such amount as may be necessary so as to ensure that the Corporation or the relevant Affiliated Entity is in compliance with Applicable Withholdings and Deductions relating to the exercise of such Options.

Section 3.11 Compliance with Laws. Notwithstanding any other provision of this Plan: (i) this Plan, and the options granted hereunder, shall at all times be subject to the ongoing requirements of applicable law and the rules of the Exchange and the Corporation shall not be obliged to issue any Common Shares upon purported exercise of options if such issuance would violate any applicable law or the rules of the Exchange; (ii) the Corporation shall not be required to issue, register or qualify for resale any Common Shares issuable upon purported exercise of options pursuant to the provisions of a prospectus or similar document, provided that the Corporation shall notify the Exchange and any other appropriate regulatory bodies in Canada of the existence of this Plan and the issuance and exercise of options; and (iii) the Corporation shall be permitted at any time and from time to time to postpone the issue of any Common Shares pursuant to this Plan and to make any amendment to the terms and conditions of this Plan or any option granted under this Plan as in the opinion of the Board of Directors is reasonably necessary (A) to make this Plan or any option granted hereunder comply with applicable laws and the rules of the Exchange; or (B) in order to permit the Corporation to effect or maintain qualification of this Plan or the Common Shares issuable pursuant hereto under the securities laws of any applicable jurisdiction, or to determine that the Common Shares and this Plan are exempt from any prospectus or equivalent requirements of any applicable securities laws.

Section 3.12 Approval and Effective Date. This Plan, and any amendments thereto, shall become effective upon the approval thereof by the Board of Directors and, to the extent required by applicable law and the rules of the Exchange, the shareholders of the Corporation and/or the Exchange.

Dated: October 17, 2006

Amended and Restated: September 28, 2007, November 15, 2010, October 27, 2011 and January 22nd, 2016.

SCHEDULE 1
OPTION AGREEMENT

This Option Agreement is entered into this ____ day of _____, 20____ between Melior Resources Inc. (the “**Corporation**”) and _____ (the “**Participant**”) pursuant to the stock option plan (the “**Plan**”) adopted by the Corporation on October 17, 2006, as amended and restated. Capitalized terms used and not otherwise defined herein have the meanings given to them in the Plan.

Pursuant to the Plan and in consideration of \$1.00 paid and services provided to the Corporation by the Participant, the Corporation agrees to grant options (“**Options**”) to acquire ● common shares (“**Shares**”) of the Corporation to the Participant and/or Permitted Assign(s) of the Participant, in accordance with the terms of the Plan. The grant of the Option is confirmed by the Option Confirmation attached to this Agreement.

The granting and exercise of the Option and the issuance of the Shares are subject to the terms and conditions of the Plan, all of which are incorporated into and form an integral part of this Agreement.

This Option Agreement shall enure to the benefit of and be binding upon the Corporation and its respective successors (including any successor by reason of amalgamation), transferees and assigns.

By executing this Option Agreement, the Participant confirms and acknowledges that he or she has not been induced to enter into this Agreement or acquire any Option by expectation of employment or continued employment with the Corporation.

MELIOR RESOURCES INC.

Per: _____

IN WITNESS WHEREOF

Witness

Participant

SCHEDULE 2
OPTION CONFIRMATION

TO: ● (the “**Participant**”)

Pursuant to the stock option plan (the “**Plan**”) adopted by Melior Resources Inc. (the “**Corporation**”) on October 17, 2006, as amended and restated, and an Option Agreement between the Corporation and the Participant dated ____, 20____, the Corporation confirms the grant to the Participant and/or Permitted Assign(s) of the Participant (as described in Exhibit 1 hereto) of an option (the “**Option**”) to acquire _____ common shares (the “**Shares**”) of the Corporation at an exercise price of \$_____ per Share. Capitalized terms used and not otherwise defined herein have the meanings given to them in the Plan.

The vesting period of the options shall be as follows: ●.

The options shall expire on: ●

The granting and exercise of this Option are subject to the terms and conditions of the Plan.

DATED this ____day of _____, 20____.

MELIOR RESOURCES INC.

Per: _____

____ day of _____, 20____. The undersigned Participant hereby acknowledges and agrees to the foregoing this

IN WITNESS WHEREOF

_____	}	_____
Witness		Participant

“Exhibit 1” - Registration Instructions

At the request of a Participant, Options granted to a Participant may be issued to and registered in the name of one or more Permitted Assigns of the Participant. If the Participant elects that some or all of his, her or its options be granted to a Permitted Assign, please indicate the number of options to be granted to such Permitted Assign(s) and set out all relevant registration details necessary for the grant of option to the Permitted Assign in the space provided below.

Permitted Assign: _____.

Number of options to be registered in name of Permitted Assign: _____.

Registration Details:

Permitted Assign: _____.

Number of options to be registered in name of Permitted Assign: _____.

Registration Details:

SCHEDULE 3

NOTICE OF ELECTION TO EXERCISE OPTION

TO: MELIOR RESOURCES INC.

Pursuant to the stock option plan (the “**Plan**”) adopted by Melior Resources Inc. (the “**Corporation**”) on October 17, 2006, as amended and restated, the undersigned elects to purchase _____ common shares (the “**Shares**”) of the Corporation which are subject to an option granted on _____ 20__, and encloses a cheque payable to the Corporation in the aggregate amount of \$_____, being \$_____ per Share. The undersigned requests that the Shares be issued as follows in his, her or its name as follows in accordance with the terms of the Plan:

(Print name as name is to appear on share certificate)

DATED this _____ day of _____, 200__.

Witness

Signature of Option Holder

Name of Option Holder:
(please print)

Title:

(Where the party exercising the Option is a trust, the trustee should execute this election)

(Where the party exercising the Option is a corporation, an officer or director should execute this election and the title should be entered)

APPENDIX “M”

CORPORATE GOVERNANCE PRACTICES

1. Board of Directors

The Board is comprised of four directors. Mark McCauley is the current CEO of the Corporation. Rishi Tibriwal was appointed to the Board on February 10, 2017 and George Lloyd was appointed on June 22, 2018 with effect as of July 1, 2018. Despite the fact Martyn Buttenshaw is not a current or former member of management, he is employed by the Corporation’s significant shareholder and the Board believes that the current and proposed composition provides appropriate independent representation for the public shareholders of the Corporation. Martyn Buttenshaw is the Chair of the Board.

In order to facilitate the exercise of independent judgment in carrying out the Board’s responsibilities, the Board has established a mandate that sets forth in detail the responsibilities and obligations of the members of the Board, including the obligation to identify and declare conflicts of interest. Further, the responsibilities of the Board and management to act with due care in the best interests of the Corporation are well defined by law and both management and the Board recognize their respective duties and obligations. The independent directors meet in the absence of members of management as deemed appropriate and, at each Board meeting to which management is invited, the independent directors’ policy is to hold an *in camera* session.

The primary functions of the Chair of the Board are to facilitate the operations and deliberations of the Board and the satisfaction of the Board’s functions and responsibilities as set out in the Board mandate.

Corporate objectives are reviewed by the Board from time to time throughout the year. The Board has the responsibility to set the strategic direction of the Corporation and to oversee its implementation by management of the Corporation. To assist it in fulfilling this responsibility, the Board has specifically recognized its responsibility for several areas, including:

- (a) reviewing and approving the Corporation’s strategic and operating plans;
- (b) reviewing and approving material proposed expenditures;
- (c) reviewing and approving significant operational and financial matters; and
- (d) providing direction to management on these matters.

Decisions regarding the ongoing day-to-day management are made by management of the Corporation. The Board meets regularly to discuss the Corporation’s business and operations and to review financial statements of the Corporation. The Board also discharges, in part, its responsibility through the Audit Committee and the Nomination and Compensation Committee. The frequency of the meetings of the Board, as well as the nature of agenda items, changes depending upon the state of the Corporation’s affairs and in light of opportunities which arise or risks which the Corporation faces. The Corporation holds a minimum of four meetings of the Board in each financial year.

The Board participates fully in assessing and approving strategic plans and prospective decisions proposed by management. In order to ensure that the principal business risks borne by the Corporation are appropriate, the directors receive and comment on periodic reports from management as to the Corporation’s assessment and management of such risks. The Board regularly monitors the financial performance of the Corporation, including receiving and reviewing periodic management reports. The Board, directly and through its Audit Committee, assesses the integrity of the Corporation’s internal control and management information systems.

Two of the current and proposed directors of the Corporation are presently directors of at least one other issuer that is a reporting issuer, or the equivalent thereof. All directorships with other public entities for each of the proposed Board members are set forth in the Circular under “Election of Directors – Directorships with Other Reporting Issuers” and in their biographies.

The attendance record of each director for all Board meetings held during the Corporation's most recently completed financial year is set out below:

Director	Number of Meetings Attended	Attendance %
Charles Entrekin ⁽¹⁾	8	100%
Martyn Buttenshaw	14	100%
Mark McCauley	14	100%
Rishi Tibriwal	13	93%

Notes:

(1) Charles Entrekin resigned as a director on December 12, 2017.

A Orientation and Continuing Education

The Corporation has not established a formal orientation and education program for Board members; however, the Corporation is committed to providing sufficient information so as to ensure that new directors are familiar with the Corporation's business and the procedures of the Board. Information may include the Corporation's corporate and organizational structure, recent filings and financial information, governance documents and important policies and procedures. The Board will ensure that every director possesses the capabilities, expertise, availability and knowledge required to fill his or her position adequately.

The Board ensures that all new directors receive a comprehensive orientation. All new directors should fully understand the role of the Board and its committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the Corporation expects from its directors). All new directors are expected to understand the nature and operations of the business.

The Board provides continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, and to ensure their knowledge and understanding of the Corporation's business remains current.

B Ethical Business Conduct

The Corporation is committed to conducting its affairs with integrity, honesty, fairness and professionalism. The Board has approved a Code of Ethics (the "**Code**") intended to encourage and promote a culture of ethical business conduct. The Code is available on SEDAR at www.sedar.com or upon request to the Corporate Secretary of the Corporation at its office at 120 Adelaide Street West, Suite 2500, Toronto, Ontario, M5H 1T1.

The Code applies at all levels of the organization, from major decisions to day-to-day transactions. The Code delineates the standards governing the relations between the Corporation and shareholders, customers, suppliers and competitors, respectively. Within this framework, employees and directors are expected to exercise good judgment and to be accountable for their actions. All employees and directors are required to review and attest to compliance with the Code on an annual basis and the Board receives a report on compliance with the Code. Transactions and agreements in respect of which a director or executive officer has a material interest must be reviewed and approved by the Board in accordance with the Code.

In addition to its Corporate Governance Policy, the Board has also adopted an Insider Trading Policy and a Foreign Corrupt Practices Policy, both of which are available on SEDAR at www.sedar.com or upon request to the Corporate Secretary of the Corporation at its office at 120 Adelaide Street West, Suite 2500, Toronto, Ontario, M5H 1T1.

C Nomination of Directors

The Board has the ultimate responsibility for the appointment, nomination and assessment of directors, but it performs this function with the assistance of the Nomination and Compensation Committee. The Board believes that this is a practical approach at this stage of the Corporation's development. While there are no specific criteria for Board membership, the Corporation attempts to attract and maintain directors with a wealth of business knowledge and particular knowledge of the Corporation's industry or other industries which provide relevant experience or which would assist in guiding the officers of the Corporation. As such, and in order to encourage an objective nomination process, nominations tend to be the result of recruitment efforts by management of the Corporation and members of the Nomination and Compensation Committee, but are subject to informal discussions among the directors prior to the consideration by the Board as a whole of the nominated director.

The Nomination and Compensation Committee is a committee of the Board which assists the Board by providing it with recommendations relating to corporate governance in general including, without limitation: (a) all matters relating to the stewardship role of the Board in respect of the management of the Corporation, (b) Board size and composition, including the candidate selection process and the orientation of new members, (c) Board compensation, and (d) such procedures as may be necessary to allow the Board to function independently of management. The Nomination and Compensation Committee also oversees compliance with policies associated with an efficient system of corporate governance.

C At the annual and special shareholders' meeting held on December 2nd, 2015, it was resolved by special resolution that the Corporation should adopt the advance notice provision as it facilitates orderly and efficient annual general or, where the need arises, special, meetings; ensures that all shareholders receive adequate notice of director nominations and sufficient information with respect to all nominees; and allows shareholders to register an informed vote. Accordingly, the advance notice provision contained within the Articles of the Corporation is the framework by which the Corporation seeks to fix a deadline by which shareholders of the Corporation must submit director nominations to the Corporation prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include.

D Compensation

The Nomination and Compensation Committee reviews and approves salary and benefits for executives of the Corporation and compensation for the directors of the Corporation. The Corporation has developed policies for the compensation of its executives and directors. For specific disclosure regarding the compensation of executive officers including the CEO and the CFO, please see "Statement of Executive Compensation".

One of the proposed members of the Nomination and Compensation Committee is considered to be an independent director.

The Charter of the Nomination and Compensation Committee establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees) and the manner of reporting to the Board. In addition, the Nomination and Compensation Committee has the authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.

The Nomination and Compensation Committee is responsible, among other things, for:

- (a) reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the Board with respect to) the CEO's compensation level based on this evaluation;
- (b) making recommendations to the Board with respect to officer and director compensation, incentive compensation plans and equity-based plans; and

- (c) reviewing executive compensation disclosure before the Corporation publicly discloses this information.

The current and proposed members of the Nomination and Compensation Committee have the skills and experience necessary to enable the Nomination and Compensation Committee as a whole to make decisions on the suitability of the Corporation's compensation policies and practices. See above under "Election of Directors – Biographies of Proposed Directors".

E Other Board Committees

The Corporation has the following standing committees: the Audit Committee and the Nomination and Compensation Committee.

F Assessments

The Board monitors the effectiveness of the relationship between management of the Corporation and the Board, the effectiveness of Board operations, the operations of the committees of the Board and of individual directors, and recommends improvements as necessary. This is accomplished through an informal process in discussions between the directors at Board meetings and between the independent directors at in camera sessions. Individual directors are encouraged to raise any perceived issues before the Board.

APPENDIX “N”

CHARTER OF THE AUDIT COMMITTEE

IV. I. Purpose

V. The Audit Committee (the “Committee”) is a committee of the Board of Directors (the “Board”) which assists the Board in overseeing the Corporation’s financial controls and reporting and in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Corporation. The Committee’s primary duties and responsibilities are to:

- Oversee: (i) the integrity of the Corporation’s financial statements; (ii) the Corporation’s compliance with legal and regulatory requirements with respect to financial controls and reporting; and (iii) the auditor’s qualifications and independence.
- Serve as an independent and objective party to monitor the Corporation’s financial reporting processes and internal control systems.
- Review and appraise the audit activities of the Corporation’s independent auditor and its internal auditing functions.
- Provide open lines of communication among the independent auditor, financial and senior management and the Board for financial reporting and control matters.

VI. II. Composition

VII. Members of the Committee are appointed and removed by the Board. The Board shall designate annually the members of the Committee and a Chairman of the Committee. The Committee will be comprised of at least three directors, a majority of whom are not executive officers, employees or control persons of the Corporation or of an affiliate of the Corporation¹. All members of the Committee should have skills and/or experience which are relevant to the mandate of the Committee, as determined by the Board. All members of the Committee shall be financially literate. “Financial literacy” shall be determined by the Board in the exercise of its business judgment, and shall include a working familiarity with basic finance and accounting practices and an ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the Corporation’s financial statements. Committee members, if they or the Board deem it appropriate, may enhance their understanding of finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant or firm.

¹ Determined in accordance with National Instrument 52-110 – *Audit Committees*.

III. Responsibilities

VIII. The Board, in establishing the Committee, has acknowledged that the Corporation is a venture issuer and, as such, the responsibilities outlined herein are intended as general guidelines intended to be applied in the context of the size of the Corporation and its stage of development. The responsibilities of the Committee shall generally include, but shall not be restricted to, undertaking the following:

IX. *Selection and Evaluation of Auditor*

- (a) Recommending to the Board the external auditor (subject to shareholder approval) to be engaged to prepare or issue an auditor's report or performing other audit, review or attest services for the Corporation and the compensation of such external auditor.
- (b) Overseeing the independence of the Corporation's auditor and taking such actions as the Committee may deem necessary to satisfy it that the Corporation's auditor is independent within the meaning of applicable securities laws by, among other things: (i) requiring the independent auditor to deliver to the Committee on a periodic basis a formal written statement delineating all relationships between the independent auditor and the Corporation; and (ii) actively engaging in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor and taking appropriate action to satisfy itself of the auditor's independence.
- (c) Instructing the Corporation's independent auditor that: (i) it is ultimately accountable to the Committee (as representatives of the shareholders of the Corporation); (ii) they must report directly to the Committee; and (iii) the Committee is responsible for the appointment (subject to shareholder approval), compensation, retention, evaluation and oversight of the Corporation's independent auditor.
- (d) Ensuring the respect of legal requirements regarding the rotation of applicable partners of the external auditor, on a regular basis, as required.
- (e) Reviewing and pre-approving all audit and permitted non-audit services or mandates to be provided by the independent auditor to the Corporation or any of its subsidiaries including tax services, and the proposed basis and amount of the external auditor's fees for such services, and determining which non-audit services the auditor is prohibited from providing (and, if deemed advisable, adopting specific policies and procedures related thereto).
- (f) Reviewing the performance of the Corporation's independent auditor and replacing or terminating the independent auditor (subject to required shareholder approvals) when circumstances warrant.

X. Oversight of Annual Audit

- (a) Reviewing and accepting, if appropriate, the annual audit plan of the Corporation's independent auditor, including the scope, extent and schedule of audit activities, and monitoring such plan's progress and results during the year.
- (b) Confirming through private discussions with the Corporation's independent auditor and the Corporation's management that no management restrictions are being placed on the scope of the independent auditor's work.
- (c) Reviewing with the external auditor any audit problems or difficulties and management's response thereto and resolving any disagreement between management and the external auditor regarding accounting and financial reporting.
- (d) Reviewing with management and the external auditor the results of the year-end audit of the Corporation including: (i) the annual financial statements and the audit report, the related management representation letter, the related "Memorandum Regarding Accounting Procedures and Internal Control" or similar memorandum prepared by the Corporation's independent auditor, any other pertinent reports and management's responses concerning such memorandum; and (ii) the qualitative judgments of the independent auditor about the appropriateness, and not just the acceptability, of accounting principles and financial disclosure practices used or proposed to be adopted by the Corporation including any alternative treatments of financial information that have been discussed with management, the ramification of their use and the independent auditor's preferred treatment as well as any other material communications with management and, particularly, about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates.

XI. Oversight of Financial Reporting Process and Internal Controls

- (a) Reviewing with management and the external auditor the annual financial statements and accompanying notes, the external auditor's report thereon and the related press release, and obtaining explanations from management on all significant variances with comparative periods, before recommending approval by the Board and the release thereof.
- (b) Reviewing with management the quarterly financial statements, any auditor's review thereof and the related press release before recommending approval by the Board and the release thereof.
- (c) Reviewing and periodically assessing the adequacy of the Corporation's procedures for the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, including reviewing the financial information contained in the annual information form, management proxy circular, management's discussion and analysis, prospectuses and other documents containing similar financial information before their public disclosure or filing with regulatory authorities including any Committee report for inclusion in the Corporation's management information circular in accordance with applicable rules and regulations.

- (d) Periodically reviewing the Corporation's disclosure policy to ensure that it conforms with applicable legal and regulatory requirements.
- (e) Reviewing the adequacy and effectiveness of the Corporation's accounting and internal control policies and procedures through inquiry and discussions with the Corporation's independent auditor and management.
- (f) Monitoring the quality and integrity of the Corporation's disclosure controls and procedures and management information systems through discussions with management and the external auditor.
- (g) Overseeing management's reporting on internal controls and disclosure controls and procedures.
- (h) Reviewing on a regular basis and monitoring the Corporation's policies and guidelines which govern the Corporation's risk assessment and risk management including the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures including hedging policies through the use of financial derivatives, if any.
- (i) Establishing and maintaining free and open means of communication between and among the Board, the Committee, the Corporation's independent auditor and management.

XII. Other Matters

- (a) Assisting the Board with oversight of the Corporation's compliance with applicable legal and regulatory requirements including meeting with outside counsel when appropriate to review legal and regulatory matters including any matters that may have a material impact on the financial statements of the Corporation.
- (b) Reviewing and approving any transactions between the Corporation and members of management and/or the Board as well as policies and procedures with respect to officers' expense accounts and perquisites including the use of corporate assets. The Committee shall consider the results of any review of these policies and procedures by the Corporation's independent auditor.
- (c) Conducting or authorizing investigations into any matters within the Committee's scope of responsibilities including retaining outside counsel or other consultants or experts as the Committee determines necessary to carry out its duties and to set and pay the compensation for these advisors.
- (d) Establishing procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- (e) Establishing procedures for the review and approval of financial and related information of the Corporation.

- (f) Reviewing and approving the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.
- (g) Performing such additional activities, and considering such other matters, within the scope of its responsibilities, as the Committee or the Board deems necessary or appropriate.

XIII. Meetings and Advisors

XIV. The Committee will meet as often as it deems necessary or appropriate to perform its duties and carry out its responsibilities described above in a timely and efficient manner, but not less than quarterly. The quorum at any meeting of the Committee shall be a majority of its members. All such meetings shall be held pursuant to the by-laws of the Corporation with regard to notice and waiver thereof.

XV. The Committee shall meet on a regular basis without management or the external auditor. The Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary. As part of its mandate to foster open communications, the Committee shall meet at least annually, and more frequently as required, with management and the Corporation's independent auditor in separate executive sessions to discuss any matters that the Committee or any of these groups or persons believe should be discussed privately. The independent auditor will have direct access to the Committee at its own initiative. The Chairman of the Committee shall work with the Chief Financial Officer and management to establish the agenda for Committee meetings.

XVI. Written minutes of each meeting of the Committee shall be filed in the Corporation's records. The Chairman of the Committee will report periodically to the Board.

XVII. The Committee shall, in appropriate circumstances and subject to advising the Chairman of the Board, have the authority to engage and obtain advice and assistance from such advisors including outside legal counsel and accountants, as it determines is necessary or appropriate to carry out its duties. The Corporation shall provide for appropriate funding, as determined by the Committee, for payment of the fees of (i) any independent auditor engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Corporation, and (ii) any independent advisors employed by the Committee.

XVIII. Disclosure of Charter

XIX. The charter shall be published in the Corporation's annual information form or information circular if required by applicable securities laws.

XX. While the Committee has the duties and responsibilities set forth in this charter, the Committee is not responsible for planning or conducting the audit or for determining whether the Corporation's financial statements are complete and accurate and are in accordance with Canadian generally accepted accounting principles. Similarly, it is not the responsibility of the Committee to ensure that the Corporation complies with all laws and regulations.

XXI. Nothing contained in this charter is intended to expand applicable standards of conduct under statutory or regulatory requirements for the directors of the Corporation or the members of the Committee.

APPENDIX “O”

SECTIONS 237 TO 247 OF THE BCBCA

Definitions and application

237 (1) In this Division:

“**dissenter**” means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

“**notice shares**” means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

“**payout value**” means,

- (a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,
- (b) in the case of a dissent in respect of an arrangement approved by a court order made under section 291 (2) (c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement,
- (c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order, or
- (d) in the case of a dissent in respect of a community contribution company, the value of the notice shares set out in the regulations,

excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

(2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that:

- (a) the court orders otherwise, or
- (b) in the case of a right of dissent authorized by a resolution referred to in section 238 (1)
- (c) the court orders otherwise or the resolution provides otherwise.

Right to dissent

238 (1) A shareholder of a company, whether or not the shareholder's shares carry the right to vote, is entitled to dissent as follows:

- (a) under section 260, in respect of a resolution to alter the articles
 - (i) to alter restrictions on the powers of the company or on the business the company is permitted to carry on, or
 - (ii) without limiting subparagraph (i), in the case of a community contribution company, to alter any of the company's community purposes within the meaning of section 51.91;
- (b) under section 272, in respect of a resolution to adopt an amalgamation agreement;
- (c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;

- (d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;
 - (e) under section 301 (5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;
 - (f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;
 - (g) in respect of any other resolution, if dissent is authorized by the resolution;
 - (h) in respect of any court order that permits dissent.
- (2) A shareholder wishing to dissent must:
- (a) prepare a separate notice of dissent under section 242 for
 - (i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and
 - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,
 - (b) identify in each notice of dissent, in accordance with section 242 (4), the person on whose behalf dissent is being exercised in that notice of dissent, and
 - (c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.
- (3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must
- (a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and
 - (b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

Waiver of right to dissent

- 239 (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.
- (2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must
- (a) provide to the company a separate waiver for
 - (i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and
 - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and
 - (b) identify in each waiver the person on whose behalf the waiver is made.
- (3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to
- (a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and
 - (b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.

- (4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

Notice of resolution

240 (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,

- (a) a copy of the proposed resolution, and
 - (b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.
- (2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,
- (a) a copy of the proposed resolution, and
 - (b) a statement advising of the right to send a notice of dissent.
- (3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,
- (a) a copy of the resolution,
 - (b) a statement advising of the right to send a notice of dissent, and
 - (c) if the resolution has passed, notification of that fact and the date on which it was passed.
- (4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

Notice of court orders

241 If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent

- (a) a copy of the entered order, and
- (b) a statement advising of the right to send a notice of dissent.

Notice of dissent

242 (1) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (a), (b), (c), (d), (e) or (f) must,

- (a) if the company has complied with section 240 (1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,

- (b) if the company has complied with section 240 (3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or
 - (c) if the company has not complied with section 240 (1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of
 - (i) the date on which the shareholder learns that the resolution was passed, and
 - (ii) the date on which the shareholder learns that the shareholder is entitled to dissent.
- (2) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (g) must send written notice of dissent to the company
 - (a) on or before the date specified by the resolution or in the statement referred to in section 240 (2) (b) or (3) (b) as the last date by which notice of dissent must be sent, or
 - (b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.
- (3) A shareholder intending to dissent under section 238 (1) (h) in respect of a court order that permits dissent must send written notice of dissent to the company
 - (a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or
 - (b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.
- (4) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable:
 - (a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;
 - (b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and
 - (i) the names of the registered owners of those other shares,
 - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
 - (iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;
 - (c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and
 - (i) the name and address of the beneficial owner, and
 - (ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.
- (5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

Notice of intention to proceed

243 (1) A company that receives a notice of dissent under section 242 from a dissenter must,

- (a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of
 - (i) the date on which the company forms the intention to proceed, and
 - (ii) the date on which the notice of dissent was received, or
- (b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.

(2) A notice sent under subsection (1) (a) or (b) of this section must

- (a) be dated not earlier than the date on which the notice is sent,
- (b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and
- (c) advise the dissenter of the manner in which dissent is to be completed under section 244.

Completion of dissent

244 (1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,

- (a) a written statement that the dissenter requires the company to purchase all of the notice shares,
- (b) the certificates, if any, representing the notice shares, and
- (c) if section 242 (4) (c) applies, a written statement that complies with subsection (2) of this section.

(2) The written statement referred to in subsection (1) (c) must

- (a) be signed by the beneficial owner on whose behalf dissent is being exercised, and
- (b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out
 - (i) the names of the registered owners of those other shares,
 - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
 - (iii) that dissent is being exercised in respect of all of those other shares.

(3) After the dissenter has complied with subsection (1),

- (a) the dissenter is deemed to have sold to the company the notice shares, and
- (b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.

(4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.

(5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of

shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.

- (6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

Payment for notice shares

245 (1) A company and a dissenter who has complied with section 244 (1) may agree on the amount of the payout value of the notice shares and, in that event, the company must

- (a) promptly pay that amount to the dissenter, or
 - (b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.
- (2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may
- (a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,
 - (b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244 (1), and
 - (c) make consequential orders and give directions it considers appropriate.
- (3) Promptly after a determination of the payout value for notice shares has been made under subsection (2)(a) of this section, the company must
- (a) pay to each dissenter who has complied with section 244 (1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or
 - (b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.
- (4) If a dissenter receives a notice under subsection (1) (b) or (3) (b),
- (a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or
 - (b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.
- (5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that
- (a) the company is insolvent, or
 - (b) the payment would render the company insolvent.

Loss of right to dissent

246 The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter

of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:

- (a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;
- (b) the resolution in respect of which the notice of dissent was sent does not pass;
- (c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;
- (d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;
- (e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;
- (f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;
- (g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;
- (h) the notice of dissent is withdrawn with the written consent of the company;
- (i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

Shareholders entitled to return of shares and rights

247 If, under section 244 (4) or (5), 245 (4) (a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

- (a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244 (1) (b) or, if those share certificates are unavailable, replacements for those share certificates,
- (b) the dissenter regains any ability lost under section 244 (6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and
- (c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.

