Metallica Minerals Limited

ACN 076 696 092

Interim Financial Report - 31 December 2019

Metallica Minerals Limited
Corporate directory
31 December 2019

Directors	T Psaros - Chairman A Gillies - Non-executive Director S Waddell - Executive Director
Chief Executive Officer	S Waddell (Interim CEO)
Company secretary	J K Haley
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	HWL Ebsworth Level 19, 480 Queen Street Brisbane QLD 4000
Stock exchange listing	Metallica Minerals Limited shares are listed on the Australian Securities Exchange (ASX code: MLM)
Website	www.metallicaminerals.com.au
Corporate Governance Statement	www.metallicaminerals.com.au/corporate-governance

Metallica Minerals Limited
Directors' report
31 December 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Metallica Minerals Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

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

Theo Psaros
Scott Waddell
Andrew Gillies

Principal activities
During the financial half-year the principal activities of the consolidated entity consisted of mineral exploration, evaluation and progressing development of its Cape Flattery Silica Sands Project, the Urquhart Bauxite Project (UBx) and other projects. The company also entered into an agreement to sell its interest in the Heavy Minerals Sands mining leases and plant. There were no significant changes in the principal activities of the consolidated entity.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $1,220,870 (31 December 2018: $2,771,108).

The 31 December 2019 consolidated loss includes the following significant expenses: legal fees of $67,437 and Nornico administration expenses of $201,028. The 31 December 2018 consolidated loss includes the following significant expenses: due diligence costs and a break fee associated with the Melior merger of $880,406 and fair value losses on the shares held in Australian Mines Limited of $825,000.

During the half-year ended 31 December 2019 the company:

- Entered into an agreement to sell its 50% interest in the Heavy Mineral Sands (HMS) plant and the HMS tenements at Urquhart Point (ML20669 and ML20737) for a total consideration of $1,721,375. Metallica Minerals Limited received a $100,000 deposit in December 2019 and the balance of the purchase consideration, subject to all conditions precedent being satisfied, is expected to be received in three instalments by 30 June 2020 or thereabouts. As the buyer is a private entity, it is not guaranteed the sale will complete and the full purchase consideration will be received, although Metallica will have normal legal rights available to it if this were to occur, and will also retain the HMS assets.
- Announced that three alternative logistics solutions to ship bauxite from the Urquhart Bauxite Project have been identified. Further regulatory approvals are required for all three alternatives. The updated pre-feasibility study has been delayed until the first quarter of 2020 due to additional work in finalising the logistic options details and obtaining a sign off by the joint venture parties.
- Completed an Exploration Program at the Cape Flattery Silica Sands Project which confirmed presence of high purity silica sands.
- Announced that the Directors of its wholly-owned subsidiary, NORNICO Pty Limited (Nornico), had placed the subsidiary into administration in August 2019. Metallica has successfully negotiated a resolution with the Administrators, the companies holding the royalty agreements and Australian Mines Limited. This resolution has resulted in Australian Mines Limited taking on the royalty agreements' obligations, in return for reducing a future payment to Metallica from $5 million to $2.5 million, which is payable when the SCONI project reaches commercial production. Nornico held two royalty agreements with parties on the Bell Creek and Minnamoolka tenements and should production commence from these tenements Nornico would have been subject to paying royalties. Nornico was placed into administration after it was identified that the two royalty agreements were not originally assigned by the prior Board and management when the SCONI tenements were sold to Australian Mines Limited in late 2017.

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

Matters subsequent to the end of the financial half-year
No matter or circumstance has arisen since 31 December 2019 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.

Auditor's independence declaration

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

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

On behalf of the directors

Theo Psaros
Chairman

21 February 2020
Brisbane

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DECLARATION OF INDEPENDENCE BY R M SWABY TO THE DIRECTORS OF METALLICA MINERALS LIMITED

As lead auditor for the review of Metallica Minerals Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

R M Swaby
Director

BDO Audit Pty Ltd

Brisbane, 21 February 2020

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General information

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

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

71 Lytton Road
East Brisbane
QLD 4169

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 February 2020. The directors have the power to amend and reissue the financial statements.

Metallica Minerals Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	Note	31 Dec 2019 $	31 Dec 2018 $
Revenue	3	71,332	34,799
Other income	4	21,352	30,432
Interest revenue		17,145	52,687
Expenses			
Advertising and promotional costs		(1,235)	(41,035)
Airfares and conferences		(9,411)	(56,916)
Employee benefits expense		(298,516)	(484,016)
Exploration costs		(322,934)	(117,364)
Depreciation and amortisation expense	8	(14,075)	(11,127)
Melior merger costs including break fee		-	(880,406)
Net loss on financial assets at fair value through profit or loss		-	(825,000)
Listing fees and share register expenses		(35,794)	(57,122)
Impairment of exploration and evaluation expenditure, and plant and equipment	9	(152,672)	(11,439)
Legal fees		(67,437)	(17,981)
Marketing		(9,030)	(57,854)
Nornico administration expenses		(201,028)	-
Professional fees		(36,910)	(55,773)
Net loss on introduction of additional equity in joint operation		-	(38,500)
Rental expenses		(70,620)	(51,590)
Other expenses		(110,948)	(135,884)
Finance costs		(89)	(47,019)
Loss before income tax expense		(1,220,870)	(2,771,108)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Metallica Minerals Limited		(1,220,870)	(2,771,108)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Metallica Minerals Limited		(1,220,870)	(2,771,108)
		Cents	**Cents**
Basic earnings per share		(0.38)	(0.86)
Diluted earnings per share		(0.38)	(0.86)

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

Metallica Minerals Limited
Consolidated statement of financial position
As at 31 December 2019

	Note	31 Dec 2019 $	30 June 2019 $
Assets			
Current assets			
Cash and cash equivalents	5	2,032,748	3,044,672
Trade and other receivables	6	29,965	60,291
Financial assets at fair value through profit or loss		-	58,643
		2,062,713	3,163,606
Non-current assets classified as held for sale	7	500,000	-
Total current assets		2,562,713	3,163,606
Non-current assets			
Property, plant and equipment	8	32,385	545,931
Exploration and evaluation assets	9	2,016,249	2,055,260
Other non-current assets		179,156	175,656
Total non-current assets		2,227,790	2,776,847
Total assets		4,790,503	5,940,453
Liabilities			
Current liabilities			
Trade and other payables	10	318,360	349,802
Employee benefits		119,574	117,514
Other	11	100,000	-
Total current liabilities		537,934	467,316
Total liabilities		537,934	467,316
Net assets		4,252,569	5,473,137
Equity			
Issued capital		36,436,227	36,436,227
Reserves		8,150,765	8,150,463
Accumulated losses		(40,334,423)	(39,113,553)
Total equity		4,252,569	5,473,137

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

Metallica Minerals Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2019

	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2018	36,422,427	8,324,865	(34,722,237)	10,025,055
Loss after income tax expense for the half-year	-	-	(2,771,108)	(2,771,108)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(2,771,108)	(2,771,108)
Transactions with owners in their capacity as owners:				
Share-based payments (note 16)	-	112,791	-	112,791
Balance at 31 December 2018	36,422,427	8,437,656	(37,493,345)	7,366,738

	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2019	36,436,227	8,150,463	(39,113,553)	5,473,137
Loss after income tax expense for the half-year	-	-	(1,220,870)	(1,220,870)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,220,870)	(1,220,870)
Transactions with owners in their capacity as owners:				
Share-based payments (note 16)	-	302	-	302
Balance at 31 December 2019	36,436,227	8,150,765	(40,334,423)	4,252,569

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

Metallica Minerals Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2019

	Note	31 Dec 2019 $	31 Dec 2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		30,326	5,448
Payments to suppliers and employees (inclusive of GST)		(1,192,943)	(1,462,951)
		(1,162,617)	(1,457,503)
Interest received		17,145	73,295
Other revenue		71,332	54,402
Interest and other finance costs paid		(89)	(47,019)
Net cash used in operating activities		(1,074,229)	(1,376,825)
Cash flows from investing activities			
Payments for property, plant and equipment	8	(529)	-
Payments for exploration and evaluation assets		(113,661)	(364,173)
Payments for security deposits		(3,500)	(19,965)
Deposit received for non-current assets held for sale	11	100,000	-
Proceeds from disposal of investments		75,495	-
Net cash outflow from additional capital introduced in joint operation		-	(38,500)
Proceeds from disposal of property, plant and equipment		4,500	-
Net cash from/(used in) investing activities		62,305	(422,638)
Net cash from financing activities		-	-
Net decrease in cash and cash equivalents		(1,011,924)	(1,799,463)
Cash and cash equivalents at the beginning of the financial half-year		3,044,672	6,113,196
Cash and cash equivalents at the end of the financial half-year	5	2,032,748	4,313,733

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Leases
The consolidated entity has applied AASB 16 'Leases' from 1 July 2019 using the modified retrospective approach where the right-of-use asset is recognised at the date of initial application at an amount equal to the lease liability, using the consolidated entity's current incremental borrowing rate and comparative information has not been restated. This means comparative information is still reported under AASB 117 and Interpretation 4.

Accounting policy applicable from 1 July 2019
For any new contracts entered into on or after 1 July 2019, the consolidated entity considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the consolidated entity assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the consolidated entity
- the consolidated entity has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the consolidated entity has the right to direct the use of the identified asset throughout the period of use.

At lease commencement date, the consolidated entity recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the consolidated entity, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The consolidated entity depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The consolidated entity also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the consolidated entity measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the consolidated entity's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The consolidated entity has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities are separately disclosed.

Note 1. Significant accounting policies (continued)

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases
AASB 16 'Leases' (the standard) replaces AASB 17 'Leases' along with three Interpretations (Interpretation 4 'Determining whether an Arrangement contains a Lease', Interpretation 115 'Operating Leases-Incentives' and Interpretation 127 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The standard does not apply to leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources however, it affects primarily the accounting for the consolidated entity's operating lease. As at the date of initial application of the standard (1 July 2019), the consolidated entity had only one non-cancellable operating lease which ends within 12 months of the date of initial application of AASB 16. As the lease has a duration of less than 12 months, the consolidated entity has applied the practical expedient available under the standard, and has continued to recognise lease payments as an expense on a straight-line basis in profit or loss. The lease expired post 31 December 2019 and is on a 'month to month' basis.

Going concern
For the half-year ended 31 December 2019 the consolidated entity incurred a loss of $1,220,870 before income tax and net cash outflows from operating activities of $1,074,229.

The ability of the consolidated entity to continue as a going concern is principally dependent upon the following conditions:
- Raising additional capital or securing other forms of financing, as and when necessary to meet the levels of expenditure required for the consolidated entity to continue to progress the mineral properties in which it has an interest and to meet the consolidated entity's working capital requirements;
- Reducing its level of expenditure through farm-outs and/or joint ventures; and
- Selling non-core projects.

These conditions give rise to a material uncertainty, which may cast significant doubt over the consolidated entity's ability to continue as a going concern.

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:
- Metallica Minerals Limited has entered into an agreement to sell its 50% interest in the Heavy Mineral Sand (HMS) plant and the HMS tenements at Urquhart Point (ML20669 and ML20737) for $1,721,375. Metallica received a $100,000 deposit in December 2019 and the balance of the purchase consideration, subject to all conditions precedent being satisfied, is expected to be received in three instalments by 30 June 2020 or thereabouts.
- The Directors have prepared consolidated cash flow forecasts to 31 December 2020 that include the sale proceeds from the disposal of the HMS plant and tenements. The Directors are forecasting that the consolidated entity will have cash reserves at 31 December 2020 however, the cash reserves are highly dependent on the completion of the HMS sale transaction.
- The consolidated entity has a proven history of successfully raising funds and selling non-core assets.

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.

Should the consolidated entity be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

Note 2. Operating segments

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

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

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

Note 3. Revenue

	31 Dec 2019 $	31 Dec 2018 $
Revenue from contracts with customers		
Sale of goods	-	10,829
Other revenue		
Royalty	20,314	-
Other revenue	51,018	23,970
	71,332	23,970
Revenue	71,332	34,799

Note 4. Other income

	31 Dec 2019 $	31 Dec 2018 $
Net gain on financial assets at fair value through profit or loss	16,852	-
Net gain on disposal of property, plant and equipment	4,500	-
Other	-	30,432
Other income	21,352	30,432

Note 5. Current assets - cash and cash equivalents

	31 Dec 2019 $	30 June 2019 $
Cash on hand	50	50
Cash at bank	211,620	394,495
Cash on deposit	1,821,078	2,650,127
	2,032,748	3,044,672

Note 6. Current assets - trade and other receivables

	31 Dec 2019 $	30 June 2019 $
Trade receivables	26,593	15,321
Loans to other parties	186,017	186,017
Less: Allowance for expected credit losses	(186,017)	(186,017)
	-	-
Other receivables	3,372	3,404
BAS receivable	-	41,566
	29,965	60,291

Note 7. Current assets - non-current assets classified as held for sale

	31 Dec 2019 $	30 June 2019 $
Plant and equipment	500,000	-

Metallica Minerals Limited has entered into an agreement to sell its 50% interest in the Heavy Mineral Sand (HMS) plant and the HMS tenements at Urquhart Point (ML20669 and ML20737) for $1,721,375. Metallica received a $100,000 deposit in December 2019 and the balance of the purchase consideration, subject to all conditions precedent being satisfied, is expected to be received in three instalments by 30 June 2020 or thereabouts.

The key transaction terms are:

- The transaction price of $1,721,375 is payable as follows:
  - $100,000 deposit - received on signing the term sheet
  - $221,375 payable prior to the transfer of the tenements
  - $900,000 payable on receipt of indicative approval from the Minister to the transfer of Metallica's 50% interest
  - $500,000 no later than 90 days after the date the HMS tenements are transferred to the buyer
- Conditions precedent to the transfer of the HMS tenements:
  - indicative approval of the Minister to the transfer of the 50% interest in the HMS tenements to the buyer
  - other regulatory approvals, if required
- The sale of the HMS assets will not complete unless the counterparty to the Cape York HMS & Bauxite Project Joint Venture also sells its interest in the HMS tenements and HMS plant to the buyer.
- The sale of the HMS plant will only complete if the HMS tenements are acquired by the buyer and all payments have been made.

Note 8. Non-current assets - property, plant and equipment

	31 Dec 2019 $	30 June 2019 $
Plant and equipment - at cost	888,340	887,811
Less: Accumulated depreciation	(839,570)	(825,495)
Less: Impairment	(16,385)	(16,385)
	32,385	45,931
Capital works in progress	-	2,638,837
Less: Impairment	-	(2,138,837)
	-	500,000
	32,385	545,931

Note 8. Non-current assets - property, plant and equipment (continued)

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

	Plant and Equipment $	Capital works in progress $	Total $
Balance at 1 July 2019	45,931	500,000	545,931
Additions	529	-	529
Classified as held for sale (note 7)	-	(500,000)	(500,000)
Depreciation expense	(14,075)	-	(14,075)
Balance at 31 December 2019	32,385	-	32,385

Capital works in progress represented Metallica's share of the jointly held assets in the Oresome Joint Venture (JV), that comprises costs incurred on the construction of a Heavy Minerals Sands (HMS) plant. Metallica has entered into an agreement to sell its 50% interest in the Heavy Mineral Sands (HMS) plant and the HMS tenements at Urquhart Point (ML20669 and ML20737) for $1,721,375. Consequently, the carrying value of the plant has now been classified as held for sale under current assets on the statement of financial position.

Note 9. Non-current assets - exploration and evaluation assets

	31 Dec 2019 $	**30 June 2019 $**
Exploration and evaluation - at cost	2,016,249	2,055,260

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

	Exploration and evaluation $	Total $
Balance at 1 July 2019	2,055,260	2,055,260
Additions	113,661	113,661
Impairment of assets	(152,672)	(152,672)
Balance at 31 December 2019	2,016,249	2,016,249

Note 10. Current liabilities - trade and other payables

	31 Dec 2019 $	**30 June 2019 $**
Trade payables and accruals	288,751	287,085
BAS payable	17,145	-
Other payables	12,464	62,717
	318,360	349,802

Note 11. Current liabilities - other

	31 Dec 2019 $	30 June 2019 $
Deferred sale proceeds	100,000	-

Deferred sale proceeds
During the half year Metallica Minerals Limited entered into an agreement to sell its 50% interest in the Heavy Mineral Sands (HMS) plant and the HMS tenements at Urquhart Point (ML20669 and ML20737) and received a $100,000 deposit on execution of the term sheet (refer note 7).

Note 12. Contingent assets

In respect of the disposal of the SCONI Project in September 2017, additional consideration of $2,500,000 (30 June 2019: $5,000,000) in cash or shares in Australian Mines Limited (the Production Payment), will be payable to the company on commencement of commercial production. This additional consideration has not been recognised in the 31 December 2019 financial statements, as the receipt of the additional consideration is not virtually certain. The commencement of commercial production from the SCONI Project requires favourable commodity prices and markets, availability of significant funding and various government approvals.

Note 13. Contingent liabilities

There have been no changes to the contingent liabilities noted in the 2019 annual financial report.

Note 14. 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:

		Ownership interest	
Name	Principal place of business / Country of incorporation	31 Dec 2019 %	30 June 2019 %
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. During the half year Metallica Minerals Limited entered into an agreement to sell its 50% interest in the Heavy Mineral Sands (HMS) plant and the HMS tenements at Urquhart Point (ML20669 and ML20737) for a total consideration of $1,721,375 (refer note 7).

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.

Note 15. Events after the reporting period

No matter or circumstance has arisen since 31 December 2019 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 16. Share-based payments

On 23 December 2019 the company issued 10,000,000 unlisted options pursuant to the employee equity incentive plan and as approved at the company's annual general meeting on 29 November 2019. Theo Psaros and Andrew Gillies (non-executive Directors) were each granted 3,000,000 options and Scott Waddell (executive Director) was granted 4,000,000 options, for nil consideration. The options will vest if the Metallica Minerals Limited share price trades at more than 3 cents for 5 days. The options are exercisable at 3 cents and expire on 23 December 2022. Any shares issued on exercise of the options will be escrowed until 22 May 2022. The value of these options at grant date was $36,800.

Metallica Minerals Limited
Directors' declaration
31 December 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Theo Psaros
Chairman

21 February 2020
Brisbane

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Metallica Minerals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Metallica Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating to going concern

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

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit Pty Ltd

BDO

R M Swaby

R M Swaby
Director

Brisbane, 21 February 2020