

Metallica Minerals Limited

ACN 076 696 092

Annual Financial Report - 30 June 2021

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Metallica Minerals Limited
Corporate directory
30 June 2021

Directors

T Psaros - Executive Chairman
A Gillies - Non-executive Director
S Waddell - Executive Director
M Bojanjac - Non-executive Director
B Sampson - Non-executive Director

Company secretary

S Waddell

Annual General Meeting

The details of the annual general meeting of Metallica Minerals Limited are:
Colin Biggers & Paisley Pty Ltd
Level 35, Waterfront Place, 1 Eagle Street
Brisbane QLD 4000
9:00am on Wednesday, 17 November 2021

Registered office and principal
place of business

Level 1, North Tower
Terrace Office Park
527 Gregory Terrace
Fortitude Valley
QLD 4006
Phone: (07) 3249 3000

Share register

Link Market Services Limited
Level 21, 10 Eagle Street
Brisbane
QLD 4001
Phone: 1300 554 474

Auditor

Moore Australia Audit
Level 12, 10 Eagle Street
Brisbane
QLD 4000

Solicitors

Colin Biggers & Paisley Pty Ltd
Level 35, Waterfront Place
1 Eagle 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-directory

Metallica Minerals Limited
Directors' report
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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 2021.

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:

Theo Psaros
 Andrew Gillies
 Scott Waddell
 Mark Bojanjac (appointed 13 May 2021)
 Brad Sampson (appointed 13 May 2021)

The appointment of Mark Bojanjac and Brad Sampson as Directors was confirmed at an Extraordinary General Meeting of members held on 7 July 2021.

Principal activities

During the financial year, the principal activities of the consolidated entity consisted of mineral exploration, evaluation and progressing the development of its Cape Flattery Silica Sands Project. The consolidated entity sold its subsidiary companies, Oresome Australia Pty Ltd and Oresome Bauxite Pty Ltd, and their respective 50% interest holdings in the Urquhart Bauxite joint venture (JV), which incurred a loss of \$2,049,754. There were no other 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 \$3,054,991 (30 June 2020: \$521,340).

The 30 June 2021 consolidated loss includes the net loss of \$2,049,754 on disposal of the wholly-owned subsidiary companies, Oresome Australia Pty Ltd, Oresome Bauxite Pty Ltd and their respective 50% interest holdings in the JV.

During the year ended 30 June 2021 the company:

- (a) Continued to advance its Cape Flattery Silica Sands Project which included the following activities:
- Following consultation with Native Title Holders (being the Dingaal and Nguurruumungu Clans), signed a Conduct and Compensation Agreement with Hopevale Congress Aboriginal Corporation, the trustee and registered Native Title Freehold owner of the land.
 - Successfully completed a 22-hole drilling program in December 2020 within the Eastern Target Area. All drilling was undertaken with the permission from the Aboriginal Corporations.
 - On 2 March 2021, released an upgraded resource in the Eastern Resource Area estimated and summarised in the table below. These results show there is good potential to produce a premium grade silica product using standard processing techniques.
 - On 22 June 2021, the Company released excellent Metallurgical test results on Cape Flattery Silica Sand where the work demonstrated a low contaminant product with an attractive narrow particle size distribution, which can be produced at a high yield. The Metallurgical test results produced a product with 99.8% SiO₂, 170ppm Fe₂O₃ and 450ppm Al₂O₃.
 - Lodged a Mining Lease Application (ML 100284) with the Queensland Department of Resources (for an area of 616 Hectares).

On 2 March 2021, the Company released an upgraded resource in the Cape Flattery Silica Eastern Resource Area estimated and summarised in Table 1, as is shown below:

	Silica Sand (Mt)	Silica Sand (Mm³)	Density (t/m³)	SiO₂ %	Al₂O₃ %	Fe₂O₃ %	TiO₂ %	LOI %
Indicated Resource	5.4	3.4	1.6	99.1	0.04	0.09	0.13	0.13
Inferred Resource	32.9	20.5	1.6	99.0	0.07	0.12	0.15	0.11
Total	38.3	23.9	1.6	99.0	0.06	0.12	0.15	0.12

¹Table 1 – EASTERN RESOURCE Area Cape Flattery Silica Project

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For further details, see ASX Release on 2 March 2021 titled "38 Mt of High Purity Silica Sand Resource at Cape Flattery Silica Sands Project".

The Resource has been prepared in accordance with the JORC Code 2012 – A cut-off grade 98.5% has been defined based on the surrounding data. These results show there is good potential to produce a premium grade silica product using standard processing techniques.

See the Competent Person statement below.

(b) Sold its Urquhart Bauxite Project

On 3 November 2020, the consolidated entity sold its subsidiary companies, Oresome Australia Pty Ltd and Oresome Bauxite Pty Ltd, and their respective 50% interest holdings in the Urquhart Bauxite joint venture (JV). The sale proceeds comprise the following cash payments: \$50,000 on the announcement of the sale; \$50,000 within 30 days of the signing of the Share Sale Agreement, which is still outstanding as at the date of this report and has been classified as a doubtful debt, and contingent consideration of \$200,000. Additionally, the company will be paid royalties based on bauxite and sand sales, and if at any time the acquirer transfers or disposes of the shares in Oresome, the profit (if any) on that sale will be shared 50% with Metallica Minerals Limited. The doubtful debt was provided for in the 2nd half of the 2021 financial year and consequently is not disclosed as doubtful in the company's 31 December 2020 half-year financial report.

(c) Received the final instalment of \$330,000 due on the sale of its 50% interest in the Heavy Mineral Sands (HMS) plant and the HMS tenements at Urquhart Point. For further information, see the company ASX releases on 5 August 2020 and 20 December 2019.

1. Competent Person Statement

The information in this report that relates to the Cape Flattery Silica Sand Project-Eastern Exploration Target and this Resource Estimation was based on results and data collected and compiled by Mr Neil Mackenzie-Forbes, who is a Member of the Institute of Geoscientists and is a Consulting Geologist employed by Sebroy Projects Pty Ltd and engaged by Metallica Minerals Ltd. Mr Mackenzie-Forbes has more than 20 years mining and exploration experience in Australia with major mining and junior exploration companies. Mr Neil Mackenzie-Forbes consents to the inclusion of this information in the form and context in which it appears in this report.

The information in this announcement that relates to the Cape Flattery Silica Sand Project - Eastern Resource Area is based on information and modeling undertaken by Mr Chris Ainslie, Geotechnical Engineer, who is a full-time employee of Ausrocks Pty Ltd and a Member of the Australasian Institute of Mining & Metallurgy. The work was supervised by Mr Carl Morandy, Mining Engineer who is Managing Director of Ausrocks Pty Ltd and a Member of the Australasian Institute of Mining & Metallurgy and also by Mr Brice Mutton who is a Senior Associate Geologist for Ausrocks Pty Ltd. Mr Mutton is a Fellow of the Australasian Institute of Mining & Metallurgy and a Fellow of the Australian Institute of Geoscientists. Mr Morandy and Mr Ainslie and Mr Mutton are employed by Ausrocks Pty Ltd who have been engaged by Metallica Minerals Ltd to prepare this independent report, there is no conflict of interest between the parties. Mr Morandy, Mr Ainslie and Mr Mutton consent to the disclosure of information in the form and context in which it appears in this report.

The overall resource work for the Cape Flattery Silica Sand Project - Eastern Resource Area is based on the direction and supervision of Mr Mutton who has sufficient experience that is relevant to the style of mineralisation and type of deposits 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".

The technical information in this report that relates to process metallurgy is based on information reviewed by Arno Kruger (MAusIMM) and work completed by IHC Mining. Mr Kruger is a metallurgical consultant and an employee of IHC Mining. Mr Kruger has sufficient experience that is relevant to the type of processing under consideration and to the activity being undertaken to qualify as a Competent Person as defined by the JORC Code 2012. Mr Kruger consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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Capital expenditure

During the 2021 financial year, \$1,183,081 was incurred on capitalised exploration and development expenditure (2020: \$188,141). The majority of the expenditure incurred was on the Cape Flattery Silica Sands Project.

Cash flow and Liquidity

During the 2021 financial year, the net cash outflows from operating activities decreased to \$933,561 (2020: \$1,551,525). The 2020 cash outflows included non-recurring expenses of \$201,028 relating to the Nornico administration. In 2021, there was an increase in costs capitalised to the Cape Flattery Silica Sands Project which reduced the cash costs recognised in operating activities.

For the financial year ended 30 June 2021, the net cash outflow from investing activities amounted to \$832,814 (2020 - net cash inflow: \$1,304,388). The net cash outflow for 2021 was largely attributable to payments for exploration and evaluation assets. The net cash inflow for 2020 was largely attributable to the receipt of \$1,296,400 from the sale of the HMS plant and tenements. Cash outflows for plant and equipment and, exploration and evaluation amounted to \$1,188,746 (2020: \$188,670).

During the financial year ended 30 June 2021, the company raised \$6,500,407 from a rights issue and follow-on placement net of share issue costs of \$500,254.

COVID-19 Impacts

The consolidated entity continues to follow recommendations from Queensland Health and the Australian Government to provide a COVID-19 safe workplace.

The company is also aware that travel restrictions to remote indigenous communities were in place during the financial year ending 30 June 2021, which delayed some activities and these restrictions continue to be in place in some communities. The company remains committed to following the guidelines released by the Government.

Other than restricted access to some remote communities, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Significant changes in the state of affairs

On 3 November 2020, the company entered into an agreement to sell its subsidiary companies Oresome Australia Pty Ltd and Oresome Bauxite Pty Ltd (Oresome), the 50% joint venture partner in the Urquhart Bauxite project (refer note 31).

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

At an Extraordinary General Meeting (EGM) held on 7 July 2021, the company's shareholders approved the following:

- 1) A new Employee Equity Incentive Plan.
- 2) The issue of a total of 4,030,000 Performance Rights to the following Directors: Scott Waddell, Theo Psaros, Mark Bojanjac, and Brad Sampson.
- 3) Cashless loans to the following Directors: Scott Waddell, Theo Psaros and Andrew Gillies, for the exercise of employee options held by them.

At the aforementioned EGM, the shareholders also ratified the issue of options to Mahe Capital Pty Ltd, ratified the issue of shares and options to persons nominated by Mahe Capital Pty Ltd, and confirmed the appointment of Mark Bojanjac and Brad Sampson as Directors.

On 27 July 2021, the company allotted 10m shares for the exercise of employee options held by Directors, and entered into non-cash loan agreements with three Directors as outlined in the EGM held on 7 July 2021 and Notice of Meeting dated 7 and 8 June 2021.

On 23 July 2021, the company entered into a 4-year lease for office premises in Fortitude Valley.

On 2 August 2021, the company issued 7,160,000 performance rights to Directors and employees based on the terms detailed at the EGM held on 7 July 2021 and Notice of Meeting dated 7 and 8 June 2021.

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On 5 August 2021, the company announced the signing of a Memorandum of Understanding ("MoU") with Diatreme Resources (ASX: DRX) for a potential joint venture on the Clermont Gold Copper Project which comprises EPM 17968. The company is to undertake due diligence on the project for an exclusive period of thirty (30) days prior to making a decision on whether to invest in further exploration.

No other matter or circumstance has arisen since 30 June 2021 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

The consolidated entity's goal is to develop and progress the Cape Flattery Silica Sands Project and evaluate options to maximise the value of the company's other projects including the Esmeralda base metals, gold and graphite project. The company is also actively evaluating other projects for potential acquisition.

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 (as at the date of this report)

Name:	Theo Psaros
Title:	Executive Chairman
Qualifications:	GAICD, CA, BFinAdmin
Experience and expertise:	Theo Psaros has over 30 years of diverse global and local commercial experience in a number of business sectors and industries within multi-million dollar publicly listed companies, private companies and government departments. Theo's resource industry experience included a number of years as Chief Financial Officer and Chief Operating Officer of MetroCoal Limited, Chairman of the Surat Basin Coal Alliance and a member of the industry group that assisted with the Queensland Government Department of Natural Resources & Mines to prepare the 30-year strategic plan for the resources industry in Queensland (ResourcesQ).
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Executive Chairman
Interests in shares:	5,000,000
Interests in options:	500,000
Interests in rights:	1,900,000

Name:	Andrew Scott Waddell
Title:	Executive Director
Qualifications:	B.Bus, Dip.PMM (Dist), FCPA, AGIA
Experience and expertise:	Scott Waddell's resources experience was gained from eight (8) years with Metro Mining Limited and Cape Alumina Limited, nine (9) years with Anglo Coal and eight (8) years with Rio Tinto Alcan (RTA). This included direct mine site experience of 8 years. Roles included Interim CEO at Cape Alumina, CFO and Company Secretary for Metro Mining Limited and Cape Alumina Limited, Head of Finance for the Monash Energy project in Victoria's La Trobe Valley, as well as being a director of the CO2CRC Otway Pilot Project and chairman of the audit committee, Business Development Manager as well as a number of finance and corporate roles.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	CFO and Company Secretary
Interests in shares:	6,000,000
Interests in options:	500,000
Interests in rights:	1,600,000

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Name: Andrew Gillies
Title: Non-executive Director
Qualifications: BSc Bachelor of Science (Geology), MAusIMM
Experience and expertise: Andrew Gillies is a highly experienced geologist with over 35 years' experience and over 20 years combined experience as an Executive Director or Company Director of ASX listed junior resource companies. This provides for strong resource and mineral exploration, project generation, company management, project feasibility, project development, mining, capital raising, governance and corporate background.

Andrew was a Founding and Executive Director of Metallica Minerals in 1997, listing the company on the ASX in 2004. He retired from the Managing Director position in July 2015 and then retired as a Director in June 2017. At the company General Meeting on 1 February 2019, Andrew along with Theo Psaros and Scott Waddell were elected by the shareholders to the Board replacing the previous company Board.

Andrew has extensive and diverse experience across a range of mineral and resource projects, much of this experience gained throughout Queensland. Andrew successfully listed subsidiaries Cape Alumina Limited and MetroCoal Limited on the ASX in 2009 (these companies have since merged to become Metro Mining Limited, a successful bauxite producer).

Andrew was a director of ASX junior companies Orion Metals Limited and Planet Metals Limited and he was previously a Director of the Queensland Resources Council (QRC).

Mr Gillies is currently a Director of Prophet Resources Pty Ltd and his private geological consulting and investment company Golden Breed Pty Ltd.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: 5,400,000
Interests in options: 600,000
Interests in rights: None

Name: Mark Bojanjac (appointed 13 May 2021)
Title: Non-executive Director
Qualifications: BCom, ICAA
Experience and expertise: Mark Bojanjac is a Perth based company Director with more than 20 years of significant experience in ASX resource companies including those that have taken exploration projects into production. He is currently Executive Chairman of PolarX Limited (ASX: PXX), Non-executive Director of Kula Gold Limited (ASX: KGD). He was previously Non-executive Director and later Managing Director of Adamus Resources leading the transition of the company to a gold producer. Executive Chairman of PolarX Limited and Non-executive Director of Kula Gold Limited
Other current directorships: Executive Chairman of PolarX Limited and Non-executive Director of Kula Gold Limited
Former directorships (last 3 years): Non-executive Director of Geopacific Resources Limited from 2013 to 2019
Special responsibilities: None
Interests in shares: None
Interests in options: None
Interests in rights: 265,000

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Name: Stuart Bradley Sampson (appointed 13 May 2021)
 Title: Non-executive Director
 Qualifications: B.E. (Hons) Mining, MBA, AMP, MAusIMM
 Experience and expertise: Brad Sampson is a Brisbane based internationally experienced business leader, Director and mining professional with more than 30 years resources industry experience. He brings significant mine development and operating experience to the Metallica Board along with listed company governance experience across multiple international jurisdictions. Brad has experienced all aspects of mining operations, having worked in leadership roles through the entire cycle of exploration, development, operations and closure.

Other current directorships: Director of Kore Potash Plc and Non-executive Director of Agrimin Ltd
 Former directorships (last 3 years): None
 Special responsibilities: None
 Interests in shares: None
 Interests in options: None
 Interests in rights: 265,000

'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 is Scott Waddell, who was appointed to the position on 8 December 2020. Scott is a member of the Governance Institute of Australia and has previously worked as the Company Secretary to Cape Alumina Ltd and Metro Mining Ltd over an eight-year period. The former Company Secretary was John Haley.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board Attended	Held
T Psaros	15	15
S Waddell	15	15
A Gillies	15	15
M Bojanjac (appointed 13 May 2021)	2	2
B Sampson (appointed 13 May 2021)	2	2

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.

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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 Chairman is entitled to an additional 6 weeks' written notice in the case of a change of control event. 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 2021 was \$60,631 excluding any remuneration from options (2020: \$112,087).

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.

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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

STIs paid to senior executives are made on a discretionary basis as determined by the Board. These incentives, while not guaranteed, are directly linked to the achievement of KPIs 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.

(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.

At the Annual General Meeting (AGM) held on 29 November 2019, the company's shareholders approved the issue of share options to key employees under the company's incentive plan.

At the Extraordinary General Meeting (EGM) held on 7 July 2021, the company's shareholders approved the issue of performance rights to Directors under the company's new Employee Equity Incentive Plan.

The purpose of the new 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.

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 2021, the market price of the company's ordinary shares was 3.5 cents per share (30 June 2020: 1.1 cents per share). No dividends were paid during the year ended 30 June 2021.

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.

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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 to prepare a formal remuneration report during the financial year ended 30 June 2021.

Voting and comments made at the company's 18 November 2020 Annual General Meeting ('AGM')

At the 18 November 2020 AGM, 89% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. 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:

- Theo Psaros
- Scott Waddell
- Andrew Gillies
- Mark Bojanjac
- Brad Sampson

	Short-term benefits		Post-employment	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Annual leave accrual	Super-annuation	Long service leave	Options, rights & shares (b)	
2021	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>						
A Gillies	40,150	-	3,814	-	4,326	48,290
M Bojanjac (a)	8,334	-	-	-	-	8,334
B Sampson (a)	7,610	-	723	-	-	8,333
<i>Executive Directors:</i>						
T Psaros	149,600	-	-	-	4,326	153,926
S Waddell	135,245	-	-	-	5,768	141,013
	<u>340,939</u>	<u>-</u>	<u>4,537</u>	<u>-</u>	<u>14,420</u>	<u>359,896</u>

(a) Mr M Bojanjac and Mr B Sampson were appointed Directors on 13 May 2021.

(b) The amounts included in the share-based remuneration represent the grant date fair value of performance rights and options, amortised on a straight-line basis over the expected vesting period. Expenses are reversed where rights are forfeited due to a failure to satisfy the service conditions or there is a revision of share rights expected to vest.

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	Short-term benefits		Post-employment	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Annual leave accrual	Super-annuation	Long service leave	Options, rights & shares (d)	
2020	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>						
A Gillies (e)	43,488	-	3,814	-	2,430	49,732
<i>Executive Directors:</i>						
T Psaros (a) (e)	74,786	-	-	-	2,430	77,216
S Waddell (b)	156,780	-	-	-	3,240	160,020
<i>Other Key Management Personnel:</i>						
J K Haley (c)	100,869	(5,216)	9,565	2,541	-	107,759
	<u>375,923</u>	<u>(5,216)</u>	<u>13,379</u>	<u>2,541</u>	<u>8,100</u>	<u>394,727</u>

- (a) Mr T Psaros was Non-executive Chairman until 21 May 2020 and Executive Chairman thereafter.
- (b) Mr S Waddell was Interim CEO until 21 May 2020 and appointed CFO thereafter.
- (c) Mr J Haley resigned as CFO on 21 May 2020 and was no longer part of the key management personnel after this date, but continued in the role of Company Secretary. Mr J Haley had a negative annual leave accrual balance due to him taking more leave over the period than what was accrued.
- (d) The amounts included in the share-based remuneration represent the grant date fair value of performance rights and options, amortised on a straight-line basis over the expected vesting period. Expenses are reversed where rights are forfeited due to a failure to satisfy the service conditions or there is a revision of share rights expected to vest.
- (e) Payments to both Mr T Psaros and Mr A Gillies included payments for consulting work undertaken to the Company in addition to the contracted Director fees.

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	
	2021	2020	2021	2020	2021	2020
<i>Non-Executive Directors:</i>						
A Gillies	91%	95%	-	-	9%	5%
M Bojanjac	100%	-	-	-	-	-
B Sampson	100%	-	-	-	-	-
<i>Executive Directors:</i>						
T Psaros	97%	97%	-	-	3%	3%
S Waddell	96%	98%	-	-	4%	2%
<i>Other Key Management Personnel:</i>						
J K Haley	-	100%	-	-	-	-

Metallica Minerals Limited
Directors' report
30 June 2021

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: Theo Psaros
 Title: Executive Chairman
 Agreement commenced: 20 May 2020
 Term of agreement: Ongoing
 Details: From 21 May 2020 until 1 February 2021, the remuneration payable to Theo Psaros was \$10,000 per month (excluding GST) on a contractor basis. From 1 February 2021 his monthly salary was increased to \$15,000 per month due to the additional workload. Theo already participates in an employee incentive plan and no other additional short or long-term incentives have been included in the terms of the engagement. The contract can be terminated by six weeks' notice from either party plus an additional six week's written notice in the case of a change of control event.

Name: Andrew Scott Waddell
 Title: CFO and Company Secretary
 Agreement commenced: 21 May 2020
 Term of agreement: Ongoing
 Details: From 21 May 2020 the remuneration payable to Scott Waddell is \$1,100 per full day worked (excluding GST) on a contractor basis. Scott already participates in an employee incentive plan and no other additional short or long-term incentives have been included in the terms of the engagement. The contract can be terminated by six weeks' notice from either party plus an additional six weeks' written notice in the case of a change of control event.

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 2021.

Options

During the financial year ended 30 June 2021, there were no options granted as remuneration to key management personnel. Details of all options on issue over unissued ordinary shares in Metallica Minerals Limited at 30 June 2021 granted to key management personnel as remuneration are set out in the table below:

Name	Number of options granted	Grant date	Expiry date	Exercise price	Fair value per option at grant date
T Psaros	3,000,000	23/12/2019	23/06/2022	\$0.029	\$0.0037
A Gillies	3,000,000	23/12/2019	23/06/2022	\$0.029	\$0.0037
S Waddell	4,000,000	23/12/2019	23/06/2022	\$0.029	\$0.0037

Options granted carry no dividend or voting rights. The performance criteria for the options to vest include that the company shares trade at a price of greater than \$0.03 for 5 successive trading days on the Australian Securities Exchange.

Metallica Minerals Limited
Directors' report
30 June 2021

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 2021 are set out below:

Name	Number of options granted during the year 2021	Number of options granted during the year 2020	Number of options vested during the year 2021	Number of options vested during the year 2020
T Psaros	-	3,000,000	-	-
A Gillies	-	3,000,000	-	-
S Waddell	-	4,000,000	-	-

Share rights

There were no share rights over ordinary shares granted to directors and other key management personnel as part of compensation during the year ended 30 June 2021.

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 2021.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2021 are summarised below:

	2021 \$	2020 \$	2019 \$	2018 \$	2017 \$
Profit/(loss) after income tax	(3,054,991)	(521,340)	(4,391,316)	3,195,557	(2,559,121)

The factors that are considered to affect Total Shareholders Return ('TSR') are summarised below:

	2021	2020	2019	2018	2017
Share price at financial year end (cents)	3.50	1.05	1.60	3.70	5.20
Basic earnings/(loss) per share (cents per share)	(0.84)	(0.16)	(1.36)	0.99	(1.05)

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
Ordinary shares					
T Psaros	674,000	-	1,326,000	-	2,000,000
S Waddell	632,258	-	1,367,742	-	2,000,000
A Gillies	962,500	-	1,437,500	-	2,400,000
	<u>2,268,758</u>	<u>-</u>	<u>4,131,242</u>	<u>-</u>	<u>6,400,000</u>

None of the shares above are held nominally by the directors or any of the other key management personnel.

Metallica Minerals Limited
Directors' report
30 June 2021

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 as remuneration	Exercised	Expired/ forfeited/ other*	Balance at the end of the year
<i>Options over ordinary shares</i>					
T Psaros	3,000,000	-	-	500,000	3,500,000
S Waddell	4,000,000	-	-	500,000	4,500,000
A Gillies	3,000,000	-	-	600,000	3,600,000
	<u>10,000,000</u>	<u>-</u>	<u>-</u>	<u>1,600,000</u>	<u>11,600,000</u>

* Includes options that attached to shares issued under a renounceable rights offer.

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 2021.

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 2021.

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
27 April 2021	25 March 2024	\$0.060	130,678,964
			<u>131,678,964</u>

* 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.

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

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
2 August 2021*	1 July 2022	\$0.000	7,160,000

* On 7 July 2021, the company's shareholders approved the issue of 4,030,000 Performance Rights to the following Directors: Scott Waddell, Theo Psaros, Mark Bojanjac, and Brad Sampson, and 3,130,000 to employees.

Metallica Minerals Limited
Directors' report
30 June 2021

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 2021 and up to the date of this report on the exercise of options granted:

Date options exercised	Exercise price	Number of shares issued
27 July 2021	\$0.029	10,000,000

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 2021 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 set out below.

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 below 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.

Metallica Minerals Limited
Directors' report
30 June 2021

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2021	2020
	\$	\$
Related practices of Moore Australia Audit (2020: related practices of BDO Audit Pty Ltd):		
Tax compliance	-	18,771

Officers of the company who are former partners of Moore Australia Audit

There are no officers of the company who are former partners of Moore Australia Audit.

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



Theo Psaros
Chairman

19 August 2021
Brisbane

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Metallica Minerals Limited

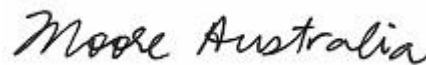
As lead auditor for the audit of Metallica Minerals Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) 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.



Murray McDonald
Director - Audit and Assurance



Moore Australia Audit (QLD/NNSW)
Chartered Accountants

Brisbane
19 August 2021

Metallica Minerals Limited

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30 June 2021

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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 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:

Level 1, North Tower
Terrace Office Park
527 Gregory Terrace
Fortitude Valley
QLD 4006

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 18 August 2021. The directors have the power to amend and reissue the financial statements.

Metallica Minerals Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 2021 \$	2020 \$
Revenue	4	49,221	115,509
Other income	5	220,342	145,811
Interest revenue		8,034	28,962
Expenses			
Airfares and conferences		(41,254)	(24,901)
Extraordinary General Meeting costs		(6,000)	(1,059)
Impairment reversals	10	-	1,096,400
Employee benefits expense	6	(372,460)	(524,105)
Exploration costs		(279,878)	(458,956)
Depreciation and amortisation expense	6	(18,421)	(23,096)
Listing fees and share register expenses		(96,599)	(44,197)
Impairment of exploration and evaluation expenditure, and plant and equipment		-	(152,672)
Legal fees		(50,545)	(135,735)
Marketing		-	(11,130)
Nornico administration expenses		-	(201,028)
Professional fees		(113,436)	(80,326)
Net loss on disposal of subsidiary and joint operation	29,31	(2,049,754)	-
Rental expenses		(89,936)	(105,476)
Other expenses		(214,305)	(144,449)
Finance costs	6	-	(892)
Total expenses		<u>(3,332,588)</u>	<u>(811,622)</u>
Loss before income tax expense		(3,054,991)	(521,340)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Metallica Minerals Limited		(3,054,991)	(521,340)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Metallica Minerals Limited		<u>(3,054,991)</u>	<u>(521,340)</u>
		Cents	Cents
Basic earnings per share	32	(0.84)	(0.16)
Diluted earnings per share	32	(0.84)	(0.16)

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

Metallica Minerals Limited
Statement of financial position
As at 30 June 2021

	Note	Consolidated 2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents	8	7,531,567	2,797,535
Trade and other receivables	9	45,923	363,004
Total current assets		<u>7,577,490</u>	<u>3,160,539</u>
Non-current assets			
Plant and equipment	10	10,788	23,364
Exploration and evaluation	11	1,183,081	2,090,729
Other	13	48,443	54,493
Total non-current assets		<u>1,242,312</u>	<u>2,168,586</u>
Total assets		<u>8,819,802</u>	<u>5,329,125</u>
Liabilities			
Current liabilities			
Trade and other payables	14	382,022	259,719
Employee benefits	15	11,447	109,509
Total current liabilities		<u>393,469</u>	<u>369,228</u>
Total liabilities		<u>393,469</u>	<u>369,228</u>
Net assets		<u>8,426,333</u>	<u>4,959,897</u>
Equity			
Issued capital	17	50,896,470	36,436,227
Reserves	18	219,747	8,158,563
Accumulated losses		<u>(42,689,884)</u>	<u>(39,634,893)</u>
Total equity		<u>8,426,333</u>	<u>4,959,897</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 2021

Consolidated	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 year	-	-	(521,340)	(521,340)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(521,340)	(521,340)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 18)	-	8,100	-	8,100
Balance at 30 June 2020	<u>36,436,227</u>	<u>8,158,563</u>	<u>(39,634,893)</u>	<u>4,959,897</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	36,436,227	8,158,563	(39,634,893)	4,959,897
Loss after income tax expense for the year	-	-	(3,054,991)	(3,054,991)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(3,054,991)	(3,054,991)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 17)	6,310,017	-	-	6,310,017
Share-based payments (note 18)	-	211,410	-	211,410
Transfer from share-based payments reserve to issued capital	8,150,226	(8,150,226)	-	-
Balance at 30 June 2021	<u>50,896,470</u>	<u>219,747</u>	<u>(42,689,884)</u>	<u>8,426,333</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 2021

	Note	Consolidated 2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers, government grants and other (inclusive of GST)		256,644	241,755
Payments to suppliers and employees (inclusive of GST)		<u>(1,198,239)</u>	<u>(1,821,350)</u>
		(941,595)	(1,579,595)
Interest received		8,034	28,962
Interest and other finance costs paid		<u>-</u>	<u>(892)</u>
Net cash used in operating activities	34	<u>(933,561)</u>	<u>(1,551,525)</u>
Cash flows from investing activities			
Payments for property, plant and equipment	10	(5,665)	(529)
Payments for exploration and evaluation assets	11	(1,183,081)	(188,141)
Payments for security deposits		(15,805)	(4,640)
Sale proceeds - HMS plant and tenements		330,000	-
Proceeds from disposal of financial assets at fair value through profit or loss		-	75,495
Proceeds from disposal of property, plant and equipment, and tenements		-	1,296,400
Proceeds from disposal of subsidiary and joint operation	31	41,737	-
Receipt for security deposit		<u>-</u>	<u>125,803</u>
Net cash from/(used in) investing activities		<u>(832,814)</u>	<u>1,304,388</u>
Cash flows from financing activities			
Proceeds from issue of shares	17	7,000,661	-
Share issue transaction costs		<u>(500,254)</u>	<u>-</u>
Net cash from financing activities		<u>6,500,407</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		4,734,032	(247,137)
Cash and cash equivalents at the beginning of the financial year		<u>2,797,535</u>	<u>3,044,672</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>7,531,567</u></u>	<u><u>2,797,535</u></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 2021, the consolidated entity incurred a loss of \$3,054,991 after income tax and net cash outflows from operating activities of \$933,561. The net loss before income tax includes a net loss of \$2,049,754 on disposal of the subsidiary companies Oresome Australia Pty Ltd, Oresome Bauxite Pty Ltd and their respective 50% interest holdings in the Urquhart Bauxite joint venture (JV).

The Coronavirus (COVID-19) pandemic is restricting access to some remote communities. However, there does not currently appear to be any significant impact upon solvency or going concern of the consolidated entity as at the reporting date or subsequent to the date of this report as a result of the pandemic.

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 2021 the consolidated entity had net current assets of \$7,184,021 (30 June 2020: \$2,791,311) and total net assets of \$8,426,333 (30 June 2020: \$4,959,897). Cash and cash equivalents at 30 June 2021 amounted to \$7,531,567 (30 June 2020: \$2,797,535).
- If additional cash is required outside of current cash holdings, the consolidated entity is expected to be in a position to complete capital raising with no foreseeable challenges as they have a proven history of successfully raising funds. During the year ended 30 June 2021, the company raised \$6,303,417 from the issue of ordinary shares in the company (net of share issue costs) (note 17).

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 27.

Note 1. Significant accounting policies (continued)

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 2021 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.

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.

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 29 and note 31.

Note 1. Significant accounting policies (continued)

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.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

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

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.

Note 1. Significant accounting policies (continued)

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 2021. The consolidated entity has carried out a preliminary assessment of the impact of these new and amended Accounting Standards and Interpretations, and determined that they are unlikely to have a material impact on the consolidated entity's financial statements in the period of initial application.

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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the consolidated entity's activities, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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.

Significant judgements and assumptions were required in making an estimate of the fair value less costs of disposal of the capital works in progress associated with the Oresome joint operation. The estimated fair value less costs of disposal was determined based on enquiries of independent parties (refer note 31).

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.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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	
	2021	2020
	\$	\$
Royalty - limestone tenement	-	25,769
Rent	49,221	89,740
Revenue	<u>49,221</u>	<u>115,509</u>

Note 4. Revenue (continued)

Accounting policy for revenue recognition

The consolidated entity recognises revenue as follows:

Royalties

Royalties are recognised as revenue when the right to receive payment is established.

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	
	2021	2020
	\$	\$
Net fair value gain on financial assets at fair value through profit or loss	-	16,852
Government grants	142,544	60,034
Tenement refunds	-	27,034
Other	77,798	41,891
Other income	<u>220,342</u>	<u>145,811</u>

Accounting policy for 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.

The Government grants noted above relate to amounts received in respect of JobKeeper and Cash Flow Boost.

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Note 6. Expenses

	Consolidated	
	2021	2020
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Aggregate employee benefits expense</i>		
Defined contribution superannuation expense	19,591	27,105
Equity-settled share-based payments	14,420	8,100
Other employee benefits expenses	514,391	513,409
	<u>548,402</u>	<u>548,614</u>
<i>Less</i>		
Employee costs capitalised to exploration	(175,942)	(24,509)
Employee benefits expense	<u>372,460</u>	<u>524,105</u>
<i>Depreciation</i>		
Plant and equipment	<u>18,421</u>	<u>23,096</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	<u>-</u>	<u>892</u>
<i>Leases</i>		
Short-term lease payments	<u>80,166</u>	<u>92,760</u>

Note 7. Income tax

	Consolidated	
	2021	2020
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	<u>(3,054,991)</u>	<u>(521,340)</u>
Tax at the statutory tax rate of 26% (2020: 27.5%)	(794,298)	(143,369)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable income	(13,505)	(8,877)
Share based payments	-	2,228
Other non-deductible items	<u>1,844</u>	<u>-</u>
	(805,959)	(150,018)
Current year tax losses not recognised	673,885	678,273
Current year temporary differences not recognised	<u>132,074</u>	<u>(528,255)</u>
Income tax expense	<u>-</u>	<u>-</u>

Note 7. Income tax (continued)

	Consolidated	
	2021	2020
	\$	\$
<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	6,844,356	6,836,821
Other deductible temporary differences	179,848	311,046
Deductible temporary differences offset against taxable temporary differences	<u>(295,770)</u>	<u>(578,250)</u>
Total deferred tax assets not recognised	<u><u>6,728,434</u></u>	<u><u>6,569,617</u></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.

Accounting policy for 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.

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.

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Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2021	2020
	\$	\$
Cash on hand	50	50
Cash at bank	3,508,758	468,323
Cash on deposit	4,022,759	2,329,162
	<u>7,531,567</u>	<u>2,797,535</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	
	2021	2020
	\$	\$
Trade receivables	3,034	20,600
Loans to other parties	186,017	186,017
Less: Allowance for expected credit losses	<u>(186,017)</u>	<u>(186,017)</u>
	-	-
Other receivables	404	12,404
Deferred sales proceeds - HMS plant and tenements	-	330,000
GST receivable	42,485	-
	<u>45,923</u>	<u>363,004</u>

Deferred sales proceeds - HMS Plant and tenements

Metallica sold its 50% interest in the Heavy Mineral Sands (HMS) plant and HMS tenements during the 2020 financial year. The balance in deferred sales proceeds at 30 June 2020 was the final instalment.

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 allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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Note 10. Non-current assets - plant and equipment

	Consolidated	
	2021	2020
	\$	\$
Plant and equipment - at cost	63,911	888,340
Less: Accumulated depreciation	(53,123)	(848,591)
Less: Impairment	-	(16,385)
	<u>10,788</u>	<u>23,364</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	Plant and equipment \$	Capital works in progress \$	Total \$
Balance at 1 July 2019	45,931	500,000	545,931
Additions	529	-	529
Disposals	-	(1,596,400)	(1,596,400)
Impairment reversal	-	1,096,400	1,096,400
Depreciation expense	(23,096)	-	(23,096)
Balance at 30 June 2020	23,364	-	23,364
Additions	5,665	-	5,665
Disposal of subsidiary and joint operation	(2,705)	-	(2,705)
Adjustment	2,885	-	2,885
Depreciation expense	(18,421)	-	(18,421)
Balance at 30 June 2021	<u>10,788</u>	<u>-</u>	<u>10,788</u>

Accounting policy for property, 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 33% per annum

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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.

Note 11. Non-current assets - exploration and evaluation

	Consolidated	
	2021	2020
	\$	\$
Exploration and evaluation expenditure	<u>1,183,081</u>	<u>2,090,729</u>

Metallica Minerals Limited
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Note 11. 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 2019	2,055,260	2,055,260
Additions	188,141	188,141
Impairment of assets	(152,672)	(152,672)
Balance at 30 June 2020	2,090,729	2,090,729
Additions	1,183,081	1,183,081
Disposal of subsidiary and joint operation	(2,090,729)	(2,090,729)
Balance at 30 June 2021	<u>1,183,081</u>	<u>1,183,081</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.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

Note 12. Non-current assets - mining development

	Consolidated	
	2021	2020
	\$	\$
Mining development - at cost	-	4,214,838
Less: Impairment	-	(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 29).

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.

Note 12. Non-current assets - mining development (continued)

Restoration costs expected to be incurred are provided for as part of development phase that give rise to the need for restoration.

Note 13. Non-current assets - other

	Consolidated	
	2021	2020
	\$	\$
Security deposits - tenements and rental properties	48,443	54,493

Note 14. Current liabilities - trade and other payables

	Consolidated	
	2021	2020
	\$	\$
Trade payables	375,401	202,623
GST payable	-	41,346
Other payables	6,621	15,750
	<u>382,022</u>	<u>259,719</u>

Refer to note 20 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 15. Current liabilities - employee benefits

	Consolidated	
	2021	2020
	\$	\$
Annual leave	6,144	54,681
Long service leave	5,303	54,828
	<u>11,447</u>	<u>109,509</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.

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Note 16. Non-current liabilities - deferred tax

	Consolidated 2021 \$	2020 \$
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Exploration and evaluation expenditure	295,770	574,950
Other taxable temporary differences	-	3,300
Deductible temporary differences offset against taxable temporary differences (note 7)	<u>(295,770)</u>	<u>(578,250)</u>
Deferred tax liability	<u>-</u>	<u>-</u>

Note 17. Equity - issued capital

	2021 Shares	Consolidated 2020 Shares	2021 \$	2020 \$
Ordinary shares - fully paid	<u>557,732,777</u>	<u>324,047,408</u>	<u>50,896,470</u>	<u>36,436,227</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2019	324,047,408		36,436,227
Balance	30 June 2020	324,047,408		36,436,227
Shares for services rendered	25 November 2020	330,000	\$0.020	6,600
Rights issue	27 April 2021	162,188,704	\$0.030	4,865,661
Follow-on placement	27 April 2021	71,166,665	\$0.030	2,135,000
Transfer from share-based payments reserve (note 18)		-	\$0.000	8,150,226
Share issue costs		-	\$0.000	<u>(697,244)</u>
Balance	30 June 2021	<u>557,732,777</u>		<u>50,896,470</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.

Rights issue and follow-on placement

On 25 March 2021, the company issued a Prospectus (Rights Issue Prospectus) for a renounceable pro rata entitlement issue (Offer) fully underwritten by Mahe Capital Pty Ltd (Mahe) for the issue of up to 162,188,704 Shares and 1 free attaching Option for every 2 Shares taken up under the Offer, to raise up to \$4,865,661.

Pursuant to the company's underwriting agreement with Mahe for the Offer, the company also agreed to issue 9,731,322 Options to Mahe, based on the amount of funds sought under the Offer.

Note 17. Equity - issued capital (continued)

On 23 April 2021, the company issued a Supplementary Prospectus pursuant to which it advised that, as a result of excess demand under the Shortfall Offer (as defined in the Rights Issue Prospectus), it had agreed to issue an additional 71,166,665 New Shares and 35,583,334 attaching New Options under the Offer to raise an additional \$2,135,000 (Follow-on Placement). As a result, the number of Options to which Mahe became entitled as underwriter of the Offer increased to 14,001,322 Options.

The total amount raised by the rights issue and follow-on placement was \$7,000,661.

Options

The company issued a total of 116,677,686 free attaching options (New Options) in connection with the Rights Issue Prospectus and Follow-on Placement on 27 April 2021 on the basis of 1 New Option for every 2 shares taken up. The options are listed on the Australian Securities Exchange and are exercisable at \$0.06 each at any time prior to 5.00pm (AEST) on 25 March 2024. There are no participation rights or entitlements inherent in the options and an option holder will not be entitled to participate in new issues of capital offered to the company's shareholders during the term of the option.

A further 14,001,322 options were issued to the underwriter (refer note 33) which have the same terms as all other New Options.

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 2020 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 2021 was \$7,184,021 (2020: \$2,791,311).

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 18. Equity - reserves

	Consolidated	
	2021	2020
	\$	\$
Share-based payments reserve	219,747	8,158,563

Note 18. 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. During the 2021 financial year, the reserve balance for options that had been exercised or lapsed was transferred to issued capital. When the equity benefits are exercised or lapsed the value is transferred to issued capital.

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 \$
Balance at 1 July 2019	8,150,463
Share based payments	<u>8,100</u>
Balance at 30 June 2020	8,158,563
Share based payments	211,410
Transfer to issued capital (note 17)	<u>(8,150,226)</u>
Balance at 30 June 2021	<u><u>219,747</u></u>

Note 19. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 20. 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 20. Financial instruments (continued)

Consolidated	2021		2020	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash at bank	-	3,508,758	-	468,323
Cash on deposit	0.22%	<u>4,022,759</u>	0.78%	<u>2,329,162</u>
Net exposure to cash flow interest rate risk		<u><u>7,531,517</u></u>		<u><u>2,797,485</u></u>

At 30 June 2021, 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 \$18,829 lower/higher (2020 changes of 25 bps: \$6,994 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.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

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 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 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.

Consolidated - 2021	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	375,401	-	-	-	375,401
Other payables	6,621	-	-	-	6,621
Total non-derivatives	<u>382,022</u>	-	-	-	<u>382,022</u>

Note 20. Financial instruments (continued)

Consolidated - 2020	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	202,623	-	-	-	202,623
BAS payable	41,346	-	-	-	41,346
Other payables	15,750	-	-	-	15,750
Total non-derivatives	259,719	-	-	-	259,719

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 21. 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 2021 \$	2020 \$
Short-term employee benefits	340,939	370,707
Post-employment benefits	4,537	13,379
Long-term benefits	-	2,541
Share-based payments	14,420	8,100
	359,896	394,727

Note 22. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Moore Australia Audit, the auditor of the company:

	Consolidated 2021 \$	2020 \$
<i>Audit services - Moore Australia Audit (2020: BDO Audit Pty Ltd)</i>		
Audit or review of the financial statements	40,000	53,956
<i>Other services - related practices of Moore Australia Audit (2020: related practices of BDO Audit Pty Ltd)</i>		
Tax compliance	-	18,771
	40,000	72,727

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Note 23. Contingent assets

In respect of the disposal of the SCONI Project in September 2017, additional consideration of \$2,500,000 in cash or shares in Australian Mines Limited (the Production Payment), will be payable to the company on commencement of Australian Mines Limited achieving commercial production on the project. This additional consideration has not been recognised in the 30 June 2021 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 24. Contingent liabilities

The consolidated entity does not believe it has any contingent liability at 30 June 2021.

Note 25. Commitments

	Consolidated	
	2021	2020
	\$	\$
<i>Commitments for minimum expenditure on exploration permits</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	331,509	162,550
One to five years	725,332	1,145,400
	<u>1,056,841</u>	<u>1,307,950</u>
<i>Commitments for environmental authority annual fee</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	3,505	3,505
One to five years	8,182	14,020
	<u>11,687</u>	<u>17,525</u>
<i>Tenement rentals</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	4,055	11,670
One to five years	12,010	46,680
	<u>16,065</u>	<u>58,350</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	-	301,789
One to five years	-	1,828,357
	<u>-</u>	<u>2,130,146</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

The lease of offices as at 30 June 2021 was on a 'month to month' basis with three months' notice required to terminate the lease. Notice to leave was provided on 8 July 2021.

Metallica Minerals Limited
Notes to the financial statements
30 June 2021

Note 26. Related party transactions

Parent entity

Metallica Minerals Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 28.

Joint operations

Interests in joint operations are set out in note 29.

Key management personnel

Disclosures relating to key management personnel are set out in note 21 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2021	2020
	\$	\$
Other transactions:		
Subscription for new ordinary shares by key management personnel as a result of the rights issue	96,000	-

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 27. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2021	2020
	\$	\$
Loss after income tax	(2,100,954)	(2,145,385)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	(2,100,954)	(2,145,385)

Metallica Minerals Limited
Notes to the financial statements
30 June 2021

Note 27. Parent entity information (continued)

Statement of financial position

	Parent	
	2021	2020
	\$	\$
Total current assets	<u>7,540,777</u>	<u>2,813,995</u>
Total non-current assets	<u>1,741,535</u>	<u>5,617,184</u>
Total assets	<u>9,282,312</u>	<u>8,431,179</u>
Total current liabilities	<u>5,065,738</u>	<u>8,635,077</u>
Total non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>5,065,738</u>	<u>8,635,077</u>
Net assets/(liabilities)	<u><u>4,216,574</u></u>	<u><u>(203,898)</u></u>
Equity		
Issued capital	50,896,470	36,436,227
Share-based payments reserve	219,747	8,158,564
Accumulated losses	<u>(46,899,643)</u>	<u>(44,798,689)</u>
Total equity/(deficiency)	<u><u>4,216,574</u></u>	<u><u>(203,898)</u></u>

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 2021 and 30 June 2020.

Contingent liabilities

The parent entity believes it has no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

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 28. 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	
		2021 %	2020 %
NORNICO Pty Limited	Australia	100%	100%
Greenvale Operations Pty Limited*	Australia	100%	100%
Lucky Break Operations Pty Limited	Australia	100%	100%
PGE Pty Limited**	Australia	100%	-
Cape Flattery Pty Limited (formerly Scandium Pty Limited)	Australia	100%	100%
Phoenix Lime Pty Limited	Australia	100%	100%
Touchstone Resources Pty Limited	Australia	100%	100%
Oresome Australia Pty Limited***	Australia	-	100%
Oresome Bauxite Pty Limited***	Australia	-	100%

* Greenvale Operations Pty Limited is a wholly owned subsidiary of NORNICO Pty Limited.

** PGE Pty Limited is a wholly owned subsidiary of Lucky Break Operations Pty Limited.

*** Oresome Bauxite Pty Limited is a wholly owned subsidiary of Oresome Australia Pty Limited. On 3 November 2020, the consolidated entity disposed of Oresome Australia Pty Limited and Oresome Bauxite Pty Limited (refer note 31).

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.

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 29. 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	
		2021 %	2020 %
Oresome Joint Venture	Australia	-	50%

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 paid a total of A\$7,500,000 to develop the company's Urquhart Point HMS Project including the 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 Oresome joint arrangement was classified as a joint operation under Australian Accounting Standards. Metallica Minerals Limited recognised 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 29. Interests in joint operations (continued)

During 2021 financial year, the company entered into an agreement to sell its wholly-owned subsidiary companies Oresome Australia Pty Ltd, Oresome Bauxite Pty Ltd and their respective 50% interest holdings in the Urquhart Bauxite joint venture (JV). The sale proceeds comprise the following cash payments: \$50,000 on the announcement of the sale; \$50,000 within 30 days of the signing of the Share Sale Agreement, which is still outstanding at the date of this report, and contingent consideration of \$200,000. Additionally, the company will be paid royalties based on bauxite and sandstone sales. If at any time the acquirer transfers or disposes of the shares in Oresome, the profit (if any) on that sale will be shared 50% with Metallica Minerals Limited (refer note 31).

Note 30. Events after the reporting period

At an Extraordinary General Meeting (EGM) held on 7 July 2021, the company's shareholders approved the following:

- 1) A new Employee Equity Incentive Plan.
- 2) The issue of a total of 4,030,000 Performance Rights to the following Directors: Scott Waddell, Theo Psaros, Mark Bojanjac, and Brad Sampson.
- 3) Cashless loans to the following Directors: Scott Waddell, Theo Psaros and Andrew Gillies, for the exercise of employee options held by them.

At the aforementioned EGM, the shareholders also ratified the issue of options to Mahe Capital Pty Ltd, ratified the issue of shares and options to persons nominated by Mahe Capital Pty Ltd, and confirmed the appointment of Mark Bojanjac and Brad Sampson as Directors.

On 27 July 2021, the company allotted 10m shares for the exercise of employee options held by Directors, and entered into non-cash loan agreements with three Directors as outlined in the EGM held on 7 July 2021 and Notice of Meeting dated 7 and 8 June 2021.

On 23 July 2021, the company entered into a 4-year lease for office premises in Fortitude Valley.

On 2 August 2021, the company issued 7,160,000 performance rights to Directors and employees based on the terms detailed at the EGM held on 7 July 2021 and Notice of Meeting dated 7 and 8 June 2021.

On 5 August 2021, the company announced the signing of a Memorandum of Understanding ("MoU") with Diatreme Resources (ASX: DRX) for a potential joint venture on the Clermont Gold Copper Project which comprises EPM 17968. The company is to undertake due diligence on the project for an exclusive period of thirty (30) days prior to making a decision on whether to invest in further exploration.

No other matter or circumstance has arisen since 30 June 2021 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 31. Disposal of subsidiary and joint operation

On 3 November 2020, the consolidated entity disposed of its wholly-owned subsidiaries Oresome Australia Pty Ltd, Oresome Bauxite Pty Ltd and their respective 50% interest holdings in the Urquhart Bauxite joint venture (JV). The sale proceeds comprise the following cash payments: \$50,000 on the announcement of the sale; \$50,000 within 30 days of the signing of the Share Sale Agreement. The second payment of \$50,000 has not been made after many attempts by the company and is unlikely to be paid at the present time and is considered doubtful. The doubtful debt was provided for in the 2nd half of the 2021 financial year and consequently is not disclosed as doubtful in the company's 31 December 2020 half-year financial report. Contingent consideration of \$200,000 and additional royalties based on possible bauxite and sand sales are also owing on certain events, which are unlikely to occur at the time of this report. If at any time the acquirer transfers or disposes of the shares in Oresome, the profit (if any) on that sale will be shared 50% with Metallica Minerals Limited. The fair value of the contingent consideration has been assessed as nil.

Consideration received
Cash received

Consolidated
2021
\$

50,000

Note 31. Disposal of subsidiary and joint operation (continued)

	Consolidated 2021
Book values of net assets over which control was lost	
Cash and cash equivalents	8,263
Security deposits	21,855
Exploration and evaluation assets	2,090,729
Property, plant and equipment	2,705
Other payables	(9,303)
Employee provisions	<u>(14,495)</u>
Net assets derecognised	<u><u>2,099,754</u></u>
	Consolidated 2021 \$
(Gain)/loss on disposal of subsidiary and joint operation	
Consideration received/receivable	(100,000)
Impairment of consideration receivable	50,000
Net assets disposed of	<u>2,099,754</u>
Net loss on disposal of subsidiary and joint operation	<u><u>2,049,754</u></u>
	Consolidated 2021
Net cash inflow/(outflow) arising on disposal	
Cash consideration received	50,000
Cash and cash equivalents disposed of	<u>(8,263)</u>
	<u><u>41,737</u></u>

Note 32. Earnings per share

	Consolidated	
	2021	2020
	\$	\$
Loss after income tax attributable to the owners of Metallica Minerals Limited	<u>(3,054,991)</u>	<u>(521,340)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>365,800,939</u>	<u>324,047,408</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>365,800,939</u>	<u>324,047,408</u>
	Cents	Cents
Basic earnings per share	(0.84)	(0.16)
Diluted earnings per share	(0.84)	(0.16)

Share options are considered to be potential ordinary shares but were anti-dilutive in nature for the 30 June 2021 financial year and were not included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

Metallica Minerals Limited
Notes to the financial statements
30 June 2021

Note 32. 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 33. 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.

On 11 November 2017 the company granted 1,000,000 share rights each to John Haley (CFO) and Chris Broadhead (former General Manager). These rights vest on the commencement of commercial production from the company's Urquhart Bauxite Project and the fair value of the rights at grant date was \$101,981. Chris Broadhead's rights have been forfeited following his resignation and John Haley's rights expired on 9 November 2019.

On 23 December 2019, the company granted 10,000,000 unlisted options to its Directors pursuant to the employee equity incentive plan as approved at the company's annual general meeting on 29 November 2019. Theo Psaros and Andrew Gillies were each granted 3,000,000 options and Scott Waddell was granted 4,000,000 options, for nil consideration. The options will vest if the Metallica Minerals Limited share price trades at more than 2.9 cents for 5 days. The options are exercisable at 2.9 cents and expire on 23 June 2022. Any shares issued on exercise of the options will be escrowed until 23 December 2022. The value of these options at the grant date was \$37,000.

Other option issues

On 27 April 2021, the company issued 14,001,322 listed options to Mahe Capital Pty Ltd (Mahe) pursuant to the company's underwriting agreement with Mahe (refer note 17). The options vested on the grant date and are exercisable at 6 cents through to 25 March 2024. The value of the options at the grant date was \$196,990.

Set out below are summaries of options granted:

2021

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
23/12/2019	23/06/2022	\$0.029	10,000,000	-	-	-	10,000,000
27/04/2021	25/03/2024	\$0.060	-	14,001,322	-	-	14,001,322
			10,000,000	14,001,322	-	-	24,001,322

Metallica Minerals Limited
Notes to the financial statements
30 June 2021

Note 33. Share-based payments (continued)

Weighted average exercise price \$0.029 \$0.060 \$0.000 \$0.000 \$0.047

Note that the exercise price of the 10m options granted 23/12/2019 decreased from \$0.030 to \$0.029 due to the discount that arose on the rights issue, where the Prospectus was announced on 25 March 2021.

2020

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
23/12/2019	23/06/2022	\$0.029	-	10,000,000	-	-	10,000,000
			-	10,000,000	-	-	10,000,000

Weighted average exercise price \$0.000 \$0.029 \$0.000 \$0.000 \$0.029

The weighted average remaining contractual life of options outstanding at 30 June 2021 was 2.01 years (30 June 2020: 1.98 years).

Set out below are summaries of share rights granted under the incentive plan:

2020

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
09/11/2017	09/11/2019	\$0.000	1,000,000	-	-	(1,000,000)	-
			1,000,000	-	-	(1,000,000)	-

* The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2019 was \$0.025.

Measurement of fair values

The fair value of options granted during the current and prior financial years was measured using the Black-Scholes option pricing model.

Options granted:

For the options granted during the current and prior 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
23/12/2019	23/06/2022	\$0.012	\$0.029	88.00%	-	0.80%	\$0.0037
27/04/2021	25/03/2024	\$0.029	\$0.060	100.58%	-	0.11%	\$0.0140

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Share-based payments expense

	Consolidated	2021	2020
	\$	\$	\$
Expense from share-based payments	14,420	8,100	

Accounting policy for share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Note 33. 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.

Note 34. Cash flow information

Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2021	2020
	\$	\$
Loss after income tax expense for the year	(3,054,991)	(521,340)
Adjustments for:		
Depreciation and amortisation	18,421	23,096
Impairment of exploration and evaluation expenditure, and plant and equipment	-	152,672
Share-based payments	14,420	8,100
Adjustment to plant and equipment - non-cash	(2,885)	-
Net loss on disposal of non-current assets	2,049,754	-
Net fair value (gain)/loss on financial assets at fair value through profit or loss	-	(16,852)
Impairment reversals	-	(1,096,400)
Expenses - non-cash	6,600	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(12,919)	(2,713)
Increase/(decrease) in trade and other payables	131,606	(90,083)
Decrease in employee benefits	(83,567)	(8,005)
Net cash used in operating activities	<u>(933,561)</u>	<u>(1,551,525)</u>

Note 34. Cash flow information (continued)

Non-cash investing and financing activities

Options issued to underwriter

Consolidated	
2021	2020
\$	\$
196,990	-

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Metallica Minerals Limited
Directors' declaration
30 June 2021

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 2021 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



Theo Psaros
Chairman

19 August 2021
Brisbane

Independent Audit 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 2021, 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 year then ended, and notes to the financial statements, 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 2021 and of its financial performance for the year then ended; 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 auditor independence requirements of 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 (including Independence Standards)* (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 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.

Accounting for sale of subsidiary and joint operation

Refer to Note 30 Disposal of subsidiary and joint operation

The Group disposed of its wholly-owned subsidiaries Oresome Australia Pty Ltd, Oresome Bauxite Pty Ltd and their respective 50% interest holdings in the Urquhart Bauxite joint venture ("JV"). The loss on sale of the above represents a significant balance. Therefore, it is important to determine that the sale of the above subsidiaries and their respective 50% held JV are accounted correctly in accordance with accounting standards. As such, we have determined this is a key audit matter.

We have evaluated management's assessment of the accounting treatment of the sale, and performed, amongst others, the following procedures:

- Reviewing supporting documentation to support the sale of the subsidiaries and their respective 50% holdings in the JV as well as related correspondence
- Assessing the accounting for the disposal and calculation of the gain on disposal
- Assessing the possibility of any contingent sales consideration
- Assessing the appropriateness of the disclosures included in Note 30 to the financial report.

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Carrying value of Capitalised Exploration & Evaluation Assets

Refer to Note 11 Exploration & Evaluation Assets

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 *Exploration for and Evaluation of Mineral Resources*, 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
- Assessed the appropriateness of the disclosures included in Note 11 to the financial report.

Going concern

Refer to Note 1 Significant accounting policies, detailing going concern

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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 as included in pages 7 to 14 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Metallica Minerals Limited, for the year ended 30 June 2021 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.



Murray McDonald
Director – Audit and Assurance
[Moore Australia Audit \(QLD/NNSW\)](#)



Moore Australia Audit (QLD/NNSW)
Chartered Accountants

Brisbane
19 August 2021

Metallica Minerals Limited
Shareholder information
30 June 2021

The shareholder information set out below was applicable as at 10 August 2021.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	116	5.37	24	6.11
1,001 to 5,000	356	16.47	40	10.18
5,001 to 10,000	276	12.77	34	8.65
10,001 to 100,000	884	40.91	154	39.18
100,001 and over	529	24.48	141	35.88
	<u>2,161</u>	<u>100.00</u>	<u>393</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>814</u>	<u>37.67</u>	<u>162</u>	<u>41.22</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
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	114,440,656	20.16
DOSTAL NOMINEES PTY LTD	29,422,409	5.18
ROOKHARP CAPITAL PTY LIMITED	17,407,408	3.07
PLAN-1 PTY LTD	11,012,502	1.94
SHADBOLT FUTURE FUND (TOTTENHAM) PTY LTD	8,190,000	1.44
MR GRAHAM RAYMOND DOW	8,050,000	1.42
BROWNLOW PR PTY LTD	6,500,000	1.14
GEFRATO TRADING PTY LTD	6,100,000	1.07
CALAMA HOLDINGS PTY LTD	5,500,000	0.97
CAROJON PTY LTD	5,000,000	0.88
LATSOD PTY LTD	5,000,000	0.88
BONDLINE LIMITED	4,910,966	0.87
MACFORBES SUPER PTY LTD	4,500,000	0.79
MRS CAROLYN DOW	4,000,000	0.70
ANDREW SCOTT VICTOR WADDELL	4,000,000	0.70
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	3,843,430	0.68
MR BILAL AHMAD	3,500,000	0.62
BNP PARIBAS NOMINEES PTY LTD	3,496,248	0.62
MRS ZI JUAN QI	3,444,444	0.61
MRS YAN WANG	3,370,371	0.59
	<u>251,688,434</u>	<u>44.33</u>

Metallica Minerals Limited
Shareholder information
30 June 2021

Twenty largest quoted option holders

	Options over ordinary shares	ordinary shares % of total options
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	41,666,667	31.88
MR BILAL AHMAD	11,200,000	8.57
TANGO88 PTY LTD	7,000,000	5.36
DOSTAL NOMINEES PTY LTD	3,669,167	2.81
MR MOBEEN IQBAL	2,555,000	1.96
MR BENJAMIN DAVID MOORE	2,000,000	1.53
MR PUNIT ARORA & MRS SHWETA ARORA	1,840,000	1.41
MRS BEATRICE ZIMMER	1,791,921	1.37
ROOKHARP CAPITAL PTY LIMITED	1,666,666	1.28
MR MICHAEL SOUCIK & MRS HEATHER SOUCIK	1,636,904	1.25
GEFRATO TRADING PTY LTD	1,575,000	1.21
MR WAFU MUHAMMAD IQBAL	1,310,586	1.00
CHALLENGE AURORA PTY LTD	1,100,000	0.84
BUCKINGHAM INVESTMENT FINANCIAL SERVICES PTY LTD	1,094,000	0.84
LATSOD PTY LTD	1,000,000	0.77
MS ANGELA MARGARET DAY	1,000,000	0.77
TROCA ENTERPRISES PTY LTD	1,000,000	0.77
SCINTILLA STRATEGIC INVESTMENTS LIMITED	1,000,000	0.77
MR ANTHONY DE NICOLA & MRS TANYA LOUISE DE NICOLA	825,000	0.63
TRANSOM INVESTMENTS PTY LTD	816,759	0.63
	85,747,670	65.65

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	8,160,000	8

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares Number held	% of total shares issued
ILWELLA PTY LTD	111,476,432	19.64
DOSTAL NOMINEES PTY LTD	34,824,957	6.13

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.