



ASX RELEASE
19 NOVEMBER 2018
CHAIRMANS PRESENTATION TO AGM

1. Introduction

My aim today is to give you an overview of this year's progress and issues, where we are now and what we see ahead for Metallica.

2. Overview and strategy

There is no doubt that 2018 was a challenging year for the Company as complex stakeholder negotiations continued to delay the start-up schedule for the Urquhart Bauxite project near Weipa. We have had to be flexible in our approach to the Urquhart Bauxite project so as to best react to things we can't control and other global trends and events. The Urquhart Bauxite project has progressed, and, at the same time, the Board and management have continued to focus on and progress a range of other value creating opportunities which we have identified to grow the business. We have a relatively straightforward philosophy of ensuring that we move quickly to becoming a cash flow positive resources company, with multiple appraisal and development options. Everything we do we see through the prism of increasing our enterprise value for shareholders.

3. Urquhart Bauxite Project

In January of this year we were granted the Mining Lease for the Urquhart Bauxite project. This is less than 4 years since first discovery.

We have now re-applied for a new Mining Lease to reflect the updated conditions of the recently executed Access Agreement which creates the necessary framework for the haul road between the Urquhart mine and Hey Point. Once this section 316 Mining Lease has been granted, we will look to bring Urquhart into production as soon as practicable – the current expectation is that this would be in the first half of 2019.

I acknowledge that the progress at Urquhart has been slower than earlier anticipated but we have been and are working towards start-up as quickly as possible noting that there are limits to our negotiating power and leverage with third parties. We remain very focussed and committed in order all to deliver all of the elements of this project.

The final pieces of the project to enable start-up, being logistics related contracts, offtake contracts and final internal approvals are currently under active negotiation.

4. Melior Merger Proposal

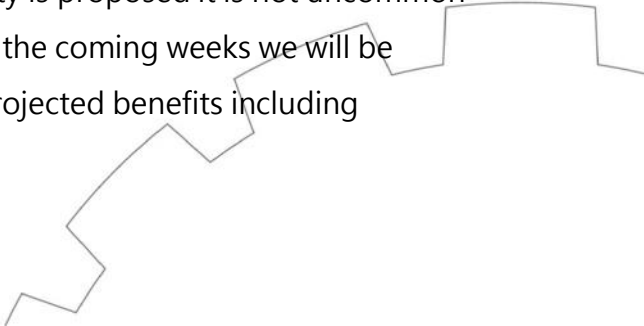
Towards the end of FY2018 an opportunity was presented that fitted within our criteria at the project level and also at the commodity level. Like bauxite, ilmenite is an industrial based commodity with a favourable forward commodity price outlook brought about by continued global growth, urbanisation and industrialisation. Further supply is required, and the forward pricing curve is quite positive at this stage.

I would like to cover the Melior Resources merger opportunity in general terms today but with the overriding caveat that this is the Annual General Meeting of the Company and the merger proposal is not a formal item of business for today. A specific meeting of the shareholders will be convened in December at which time the merger can be explained and discussed in detail – and, prior to that meeting, all relevant information and reports will have been provided to shareholders in plenty of time prior to that meeting.

While it was announced after year end, we spent many months in FY2018 conducting detailed due diligence and commercial negotiations in relation to the proposed merger with Melior Resources. We believe this opportunity is transformative.

I will just make several comments on the proposed merger for now as some Minority Shareholders have sought to widely publicise their negative views in relation to this opportunity.

I want to make it absolutely clear that my colleagues and I on the Board, along with the management team have no issue whatsoever in listening to alternate views and ideas for doing things a different or better way. We fully understand that you collectively are the owners of the Company and that the democratic voting process applies - we will always be guided by the shareholder voting outcome on any given issue – and we have a view that all shareholders must always be able to exercise their votes on all material issues. We also understand that when a major transformative opportunity is proposed it is not uncommon for there to be less than universal approval but, again, in the coming weeks we will be providing a great deal of detail on the merger and the projected benefits including independent third-party analysis.



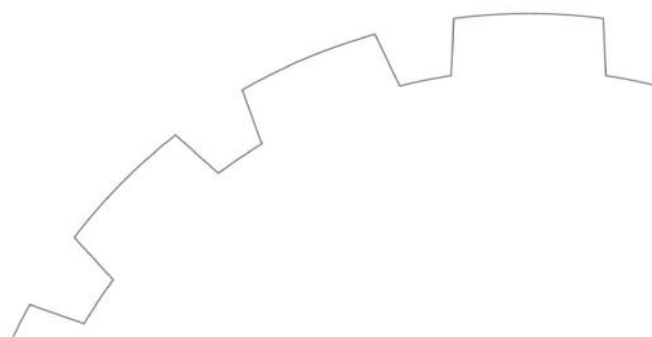
As you may know from our prior announcements, Melior Resources is the 100% owner of the Goondicum Ilmenite Project in Queensland and, should the proposed merger with Melior be approved, it has the potential to significantly enhance the strategic position and value attributable to Metallica shareholders. The Goondicum Project is now in the commissioning phase and is set to not only be cashflow positive in the second quarter of 2019, but, also generate pre-tax cash flow of US\$51 million over the first three years of full production. This, combined with the projected start-up of Urquhart in 2019, will provide the Company additional size and scale with two important sources of strong and longer-term cash flows to explore and unlock further value creating opportunities within the Metallica portfolio.

In assessing the proposed merger with Melior, we have utilised leading independent experts across the key legal, commercial and technical disciplines as part of our due diligence process to ensure that Goondicum will be a success and that this merger will create real value for Metallica shareholders.

We believe the valuation metrics are attractive and should lead to a strong share price re-rating uplift post the merger, remembering that Metallica will receive a premium of between 40% and 62% from the implied offer price. The combined group will have scale with an attractive portfolio of complimentary mineral sands and bauxite projects in Queensland and a strong balance to fund further project development.

The merged entity will also have a well-balanced combination of production, development and exploration assets to pursue and importantly, with the proposed combination of board experience, we will have the necessary skills at both a board and management level to deliver our strategic initiatives and projects at all stages of development.

Finally, the merged entity will have a stronger share register with a greater institutional component and a supportive major shareholder and funder in Pala Investments. Pala have been involved with many mineral sands projects and other natural resource investments and they are very supportive of the merits of the merged entity.



5. Wagina Project

In April this year, after an extensive evaluation of bauxite projects globally, we made a strategic loan to a bauxite developer in the Solomon Islands, in order to gain exclusivity around our assessment of whether it makes sense to participate in the Wagina Project which is in the appraisal phase.

We continue to evaluate the Wagina Bauxite Project in the Solomon Islands with our analysis of the data to date suggesting that this project has the potential to be a world class asset and that it can meet the Company's stated project objectives of low capital expenditure, low operating costs, good access to export markets and a long mine life. We will update the market when we have completed our due diligence process.


As we have mentioned during 2018, we continued to evaluate a range of bauxite projects around the world that would meet our specific strategic project development criteria and, whilst we uncovered the Wagina opportunity in the Solomon Islands, at this stage there is very little else identified on the horizon, or likely to be in the near term, that fits with our clear criteria and is of a size which we could consider attainable. We will however continue to scan the horizon for possibilities whether by acquisition, joint venture or other means.

6. Minority shareholders

As I mentioned earlier, in circumstances where major corporate developments are proposed such as the Melior merger proposition, it is not unusual that some shareholders may have different views to the board and management team.

Again, as I stressed earlier, we understand the shareholders own the Company and the Board and management team are very happy to listen to and discuss all views concerning the Melior opportunity over the weeks ahead, as we move toward the general meeting which will be convened for that very purpose.

At present, the small group of minority shareholders mentioned are seeking to call a general meeting to remove the Board in its entirety. This is, of course, a right they collectively have as minority shareholders of the Company and any consideration of this proposition will be determined by the wishes of the majority who vote at that stage. Your Board and management team will follow proper process at all times as this sequence unfolds.



For now, I simply point out that the Minority Shareholders have made, in the view of the Board and management team, public claims which are wrong in fact, claims which lack necessary context, as well as statements which are potentially defamatory and are being reviewed at present. A clear example being the misrepresentation of Mr. Slesarewich's earnings for FY2018. The fact is that for FY18 Mr Slesarewich was paid his salary of \$280,000 (including superannuation), no bonus has been paid and no performance-based shares have vested for that period.

It should be noted that the Minority Shareholders have proposed no genuine new direction or plan for the Company which has any likelihood of significantly enhancing shareholders value through market presence, revenue generation and share price appreciation. The minority shareholders are providing a range of unfounded criticism without the facts. Nonetheless, should the minority shareholders get to a point where a general meeting is held to consider replacing the Board, that is the democratic process and the Board will fully accept that outcome, however shareholders should carefully consider the potential consequences before making such a decision which could be serious in terms of loss of key people, possible significant negative market reaction and a material loss of strategic momentum.

We will have much more to say on the position of these minority shareholders if the matter continues to progress toward the general meeting which the minority shareholders wish to call.

7. Summary

So, in summary, we have remained flexible and good progress has been made with the Urquhart Bauxite project including finalising the Access Agreement for Urquhart, albeit that this took longer than earlier expected. The Board and management team have continued to work hard to push forward with shareholder value creating initiatives and we believe we are well positioned and at a critical point to make significant progress into the 2019 year and beyond.

As we move toward further shareholder consideration of the proposed merger opportunity with Melior Resources, I note again that we believe the merger rationale is compelling and will provide the merged group with two near term cash producing projects, a suite of further growth opportunities, a well credentialed Board and management team and a strong and

supportive cornerstone shareholder and funder in Pala Investments. We believe this powerful combination will deliver real value for all shareholders as we move into FY2019 and beyond.

We believe we have a transformational opportunity in front of us and we hope that shareholders will support that view and enable the Board and management team to deliver that outcome and share the benefits to all.

Thank you.

