

# **METMINCO LIMITED**

ABN 43 119 759 349

**AND ITS CONTROLLED ENTITIES**

**ANNUAL REPORT FOR THE YEAR ENDED**

**31 DECEMBER 2014**

## CORPORATE GOVERNANCE STATEMENT

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 31 December 2014.

### Board Composition

The qualifications, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the Directors' Report.

The names of the independent directors are: Timothy Read, Phillip Wing, Roger Higgins and Francisco Vergara-Irarrazaval.

When determining whether a non-executive director is independent the director must not fail any one of the following materiality thresholds:

- less than 10% of company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- no sales are made to or purchase made from any entity or individual directly or indirectly associated with the director; and
- none of the directors' income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

Directors have the right to seek independent professional advice in the furtherance of their duties as directors at the Company's expense. Written approval must be obtained from the Chairman prior to incurring any expense on behalf of the Company.

### Ethical Standards

The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring directors and employees to:

- act with utmost integrity and honesty and in good faith;
- carry out their roles in a professional and conscientious manner to achieve highest standards of performance;
- adhere to professional codes of conduct where these are provided;
- ensure that information is recorded honestly and accurately so as to enable the Company to meet its obligation to keep the market accurately informed about its activities;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- respecting all people and their customs with whom they have dealings, and observing the laws of the state or country in which they operate;
- encourage the reporting and investigating of unlawful and unethical behaviour; and
- comply with the Company's policies and procedures including the share trading policy as disclosed below.

Directors are obliged to be independent in judgment and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

### Trading Policy

The Company's policy regarding directors and employees trading in its securities is set by the Audit and Risk Committee. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

In compliance with AIM Listing Rules, directors and officers of the Company are also not permitted to trade in the Company's securities for the periods as follows:

- two months preceding the publication of the Company's annual results or, if shorter, the period from its financial year end to the time of publication;
- two months immediately preceding the notification of the Company's half-yearly report or, if shorter, the period from the relevant financial period end up to and including the time of the notification; or

## CORPORATE GOVERNANCE STATEMENT

- one month immediately preceding the notification of the Company's quarterly results or, if shorter, the period from the relevant financial period end up to and including the time of the notification.

### Diversity Policy Statement

Metminco's workforce consists of people from diverse backgrounds with a range of skills, values and experiences. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company recognises the organisational strength, deeper problem solving ability and opportunity for innovation that this diversity brings. The Company is committed to providing an environment in which all employees are treated with fairness and respect, and have equal access to opportunities available at work.

As the Group only has four staff based in Australia it is not practical to set measurable targets for diversity.

However, the Company aims to continue with this diversity policy as director and senior executive positions become vacant and appropriately qualified candidates become available.

Gender composition: In 2014, the proportion of women on the board and in senior management was zero per cent and in the overall workforce ten per cent.

### Performance Evaluation

The Board regularly receives reports from management on shareholder meetings including feedback on the performance of the Company and the Board.

The Managing Director undertakes an annual review of the performance of each senior executive against individual tasks and objectives. The report is considered by the Remuneration and Nomination Committee. Performance evaluations of the key executives were undertaken in the 2014 financial year.

### Board Roles and Responsibilities

The Board of Directors is responsible for the corporate governance of the Group and operates in accordance with the principles set out in its Charter, which is available in the corporate governance section of Metminco's website. To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board. These responsibilities include:

- Setting the strategy for the Group, including operational and financial objectives and ensuring that there are sufficient resources for this strategy to be achieved;
- Appointing and, where appropriate, removing the Managing Director, approving other key executive appointments and planning for executive succession;
- Overseeing and evaluating the performance of the Managing Director and the executive team through a formal performance appraisal process having regard to the Group's business strategies and objectives;
- Monitoring compliance with legal, regulatory, environmental, social and occupational health and safety requirements and standards;
- Overseeing the identification of key risks faced by the Group and the implementation of an appropriate internal control framework to ensure those risks are managed to an acceptable level;
- Approving the Group's budgets, including operational and capital budgets, and the approval of significant acquisitions, expenditures or divestitures;
- Approval of the annual and half-yearly financial reports; and
- Ensuring the market and shareholders are fully informed of material developments.

The roles of Chairman and Managing Director are separated and clearly defined. The Chairman leads the Board and is responsible for ensuring the effectiveness of governance practices. The Chairman is also responsible for the conduct of Board and shareholder meetings. Responsibility for the operations of the Company is delegated to the Managing Director who manages the Company within the policies set by the Board. The levels of authority for management are also documented.

To ensure that the responsibilities of the Board are upheld and executed to the highest level, the Board has established the following sub-committees:

- Audit and Risk Committee.
- Remuneration and Nomination Committee.

## CORPORATE GOVERNANCE STATEMENT

- Safety, Health and Sustainable Development Committee.

Sub-committees are able to focus on a particular responsibility and provide informed feedback to the Board. Each of these sub-committees have established Charters and operating procedures, which are reviewed on a regular basis. The Board may also establish other sub-committees from time to time to deal with issues of special importance.

### Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of annual and interim financial statements. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of Metminco Limited, to lodge questions to be responded to by the Board, and are able to appoint proxies.

### Risk Management

The Board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. A yearly assessment of the business's risk profile is undertaken and reviewed by the Board, covering all aspects of the business from the operational level through to strategic level risks. The Chief Financial Officer has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly.

The Managing Director and Chief Financial Officer have signed a declaration in accordance with S295A of the Corporations Act that internal compliance and control systems of the Company and Consolidated Entity to the extent they relate to financial reporting are operating efficiently and effectively, are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to the reporting of financial risks.

### Remuneration Policies

The Remuneration Policy, which sets the terms and conditions for the key management personnel, was developed by the Remuneration and Nomination Committee after seeking professional advice from independent consultants and was approved by the Board. All executives receive a base salary, superannuation and subject to achievement of targets performance incentives. The Remuneration and Nomination Committee reviews executive packages annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The policy is designed to attract the highest calibre executives and reward them for performance, which results in long-term growth in shareholder value.

Executives are also entitled to participate in any employee share and option arrangements.

The amount of remuneration for all key management personnel for the Company is detailed in the Directors' Report under the heading Remuneration Report. All remuneration paid to executives is valued at the cost to the Company and expensed. The Company has in place a Long Term Incentive Plan (LTIP) approved by shareholders at the Annual General Meeting for the year ended 31 December 2013. As yet no entitlements have been granted under the LTIP.

The Board expects that the remuneration structure implemented will result in the Company being able to attract and retain the best executives to manage the Consolidated Group. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

The payment of bonuses, entitlements and other incentive payments are reviewed by the Remuneration and Nomination Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. The Board can exercise its discretion in relation to approving incentives, bonuses and entitlements and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

### Audit and Risk Committee

An Audit and Risk Committee has been established by the Board. The Committee's role and operations are documented in a Charter which is approved by the Board.

The Committee's Charter provides that all members of the Audit and Risk Committee must be Non-Executive Directors with the majority being independent Directors, and that the Chair cannot be the Chairman of the Board.

The names and qualifications of those appointed to the Audit and Risk Committee are included in the Directors' Report.

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The role of the Committee is to:

- Ensure the integrity of the Group's internal and external financial reporting including compliance with applicable laws, regulations and codes of conduct;
- Ensure that financial information provided to the Board is of a sufficiently high quality to allow the Board to make informed decisions;
- Ensure that appropriate and effective internal systems and controls are in place to ensure proper financial governance and manage the Group's exposure to risk;
- Oversee the appointment, compensation, retention and oversight of the external auditor, and review of any non-audit services provided by the external auditor;
- Regularly review the performance of the external auditor regarding quality, costs and independence; and
- Oversee the frequency, significance and propriety of all transactions with related parties.

The Audit and Risk Committee is required under the Charter to meet at least twice per year and otherwise as necessary. The Committee met three times during the year and Committee members' attendance records are disclosed in the Directors' Meetings section of the Directors' Report.

The Managing Director, Chief Financial Officer and external auditor also attend the Committee meetings by standing invitation. Other Directors and management are invited to attend Committee meetings and participate in discussion relating to specific issues that they have an interest in. At least twice per year the Committee meets with the external auditor without management present.

The Committee is authorised to obtain independent legal advice at the Group's expense if it considers it necessary in fulfilling its duties.

### Remuneration and Nomination Committee

The names of the members of the Remuneration and Nomination Committee and their attendance at meetings of the committee are detailed in the Directors' Report.

The role of the Committee with respect to its remuneration function is to assist the Board in determining appropriate remuneration arrangements for the Directors and executive management.

These responsibilities include:

- Reviewing the adequacy and form of remuneration of Non-Executive Directors,
- Ensuring that the remuneration of the Non-Executive Directors reflects the responsibilities and the risks of being a Director of the Group;
- Reviewing the contractual arrangements of the Managing Director and the executive management team including their remuneration;
- Comparing the remuneration of the Managing Director and executive management to comparable groups within similar industries to ensure that the remuneration on offer can attract, retain and properly reward performance which will translate into long term growth in shareholder value;
- Annually review key performance indicators of the Managing Director and executive team to ensure that they remain congruent with the Group's strategies and objectives;
- Reviewing the basis for remuneration of other Executive Directors of the Group for their services as Directors;
- Reviewing incentive performance arrangements when instructed by the Board; and
- Reviewing proposed remuneration arrangements for new Directors or executive appointments.

The Committee will submit their recommendations to the Board regarding the remuneration arrangements and performance incentives for the Managing Director and executive team. The Board will review these recommendations before providing their approval.

Details of the Group's remuneration structure and details of senior executives remuneration and incentives are set out in the Remuneration Report contained within the Directors' Report.

There are no schemes for retirement benefits other than statutory superannuation for two executive directors.

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### Safety, Health and Sustainable Development Committee

The names of the members of the Safety, Health and Sustainable Development Committee and their attendance at meetings of the committee are detailed in the Directors' Report.

The role of the Committee is to review and make recommendations to the Board on:

- The adequacy, integrity and effectiveness of the policy, critical systems, internal controls, and processes and procedures used to manage occupational health and safety, social and environmental matters;
- Risk control management and information systems in connection with occupational health and safety, social and environmental concerns;
- The adequacy of the Group's (including its joint ventures) compliance programmes to ensure compliance with all applicable laws, regulations and standards and any other regulatory requirements in respect of the environment, social and occupational health and safety matters;
- The existence of a culture designed to build and foster environment, social and occupational health and safety leadership and appropriate behaviours consistently at all levels within the Group;
- The performance of the Group including reports on material issues such as serious injury or death, significant environmental incidents or social matters associated with the Group's operations; and
- The impact of changes and emerging issues in occupational health and safety, social and environment legislation, community expectations, research findings and technology.

The consolidated entity's operations are subject to significant environmental and other regulations. The consolidated entity has a policy of engaging appropriately experienced contractors and consultants to advise on and ensure compliance with environmental regulations in respect of its exploration and development activities. There have been no reports of breaches of environmental regulations in the financial year and at the date of this report.

### Other Information

Further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's website at [www.metminco.com.au](http://www.metminco.com.au)

### Make timely and balanced disclosure

Metminco has established policies and procedures to ensure timely and balanced disclosure of all material matters concerning the Group, and ensure that all investors have access to information on the Group's financial performance. This ensures that the Group is compliant with the information disclosure requirements under the ASX Listing Rules and the AIM Rules.

These policies and procedures include a comprehensive Disclosure Policy that includes identification of matters that may have a material impact on the price of Metminco's securities, notifying them to the ASX and AIM, posting relevant information on the Group's website and issuing media releases. These policies are available on Metminco's website under [www.metminco.com.au/corporate governance](http://www.metminco.com.au/corporate-governance).

Matters involving potential market sensitive information must first be reported to the Managing Director either directly or via the Company Secretary. The Managing Director will advise the other Directors if the issue is important enough to warrant the consideration of the full Board. In all cases the appropriate action must be determined and carried out in a timely manner in order for the Group to comply with the Information Disclosure requirements of the ASX and AIM.

Once the appropriate course of action has been agreed upon, either the Managing Director or Company Secretary will disclose the information to the relevant authorities, being the only authorised officers of the Group who are able to disclose such information. Board approval is required for market sensitive information such as financial results, material transactions or upgrading/downgrading financial forecasts. This approval is minuted in the meetings of the Board of Directors.

## DIRECTORS' REPORT

The Directors present their report together with the financial statements of the Group being Metminco Limited (Metminco or the Company) and its controlled entities, for the financial year ended 31 December 2014.

### Directors

The following persons held the office of director at any time during or since the year ended 31 December 2014 to the date of this report:

Timothy Read	Non Executive Chairman
William Howe	Managing Director
Francisco Vergara – Irarrazaval	Non Executive Director
Phillip Wing	Non Executive Director
Roger Higgins	Non Executive Director
Stephen Tainton	Executive Director

Directors have been in office since the start of the year unless otherwise stated.

### Company Secretary

Philip Killen was the Company Secretary for the financial year and is in office at the date of this report.

### Principal activities and significant changes in the nature of activities

The Principal activities of the Group during the financial year were as a diversified mineral explorer focussing on prospects in South America. The Group has a significant portfolio of projects located in Chile and Peru, primarily focused on porphyry copper style deposits, but including exposure to gold, molybdenum and zinc.

### Operating results

The consolidated loss of the Group for the year was A\$12,922,938 after providing for income tax (31 Dec 2013: loss of A\$36,072,302).

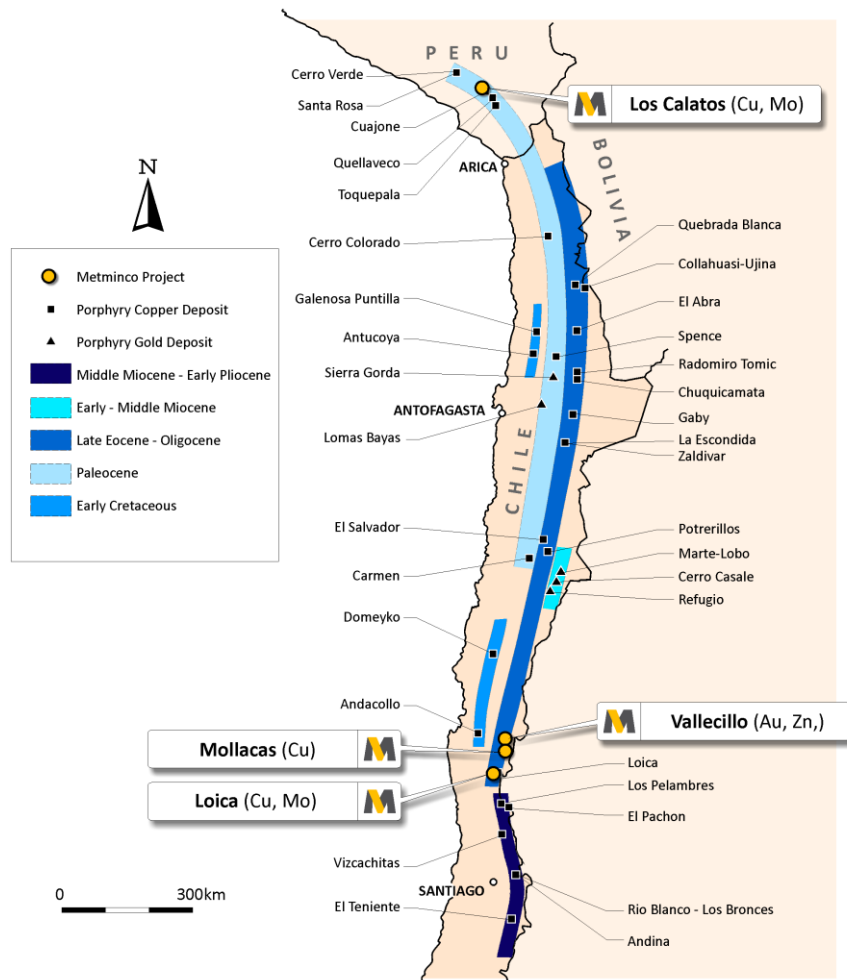
## DIRECTORS' REPORT

### Operations Report

#### Overview

Since having established a presence in South America in mid-2005, Metminco has built an asset base comprising two development opportunities (Los Calatos and Mollacas) and two prospective exploration projects (Vallecillo and Loica) located in Chile and Peru. These projects are held through the Company's wholly owned subsidiaries Minera Hampton Chile Limitada (Mollacas, Vallecillo and Loica projects) and Minera Hampton Peru SAC (Los Calatos Project) (hereinafter "Metminco"). Figure 1 below shows the location of the aforementioned projects.

**Figure 1:** Location of Projects.



In Chile, Metminco holds a 100% interest in the Mollacas Project, which comprises a potential open pit, heap leach, SX/EW operation that is expected to produce up to 8,000 tonnes per annum of copper cathode over a period of 7 years. During 2014 an updated (internal) scoping study was completed, which indicates that the project is financially robust, with a low pre-production capital requirement of US\$47M, a cash operating cost of US\$1.23/lb Cu, an NPV (8% discount rate) of US\$74.9M (after tax) and an IRR of 37.2% (ungeared). The planned Feasibility Study and an Environmental Impact Study has been delayed pending resolution of a dispute pertaining to land access with one of the surface title holders. The Company holds all other surface titles and sufficient water rights required for the development of the Mollacas Project.

In Peru, Metminco has a 100% interest in the Los Calatos Project which has the potential to be developed as a large scale mining operation. In late 2013 an independent consultancy group identified a mining scenario with a life of mine of 34 years, following the conclusion of a detailed mining study. Over the latter life of mine, the envisaged operation would process 811mt of material at a copper grade of 0.47% and molybdenum grade of 0.03%, which would be sourced from an open pit that transitions into an underground block cave mining operation, producing 3.4mt copper (7.4 billion lbs Cu); 162kt molybdenum; 538koz gold; 18.1moz silver and 406t rhenium. The estimated cash operating cost for the preferred mining scenario is US\$1.12/lb (after by-product credits), with a pre-production capital spend of some US\$1,320 million. In view of the latter capital requirement and the cost to



## DIRECTORS' REPORT

complete both a Pre-Feasibility Study and a Feasibility Study, the Company persists with their endeavours to secure a funding partner to progress the project further. Whilst a number of companies have reviewed the project, the downturn in the resource sector and heightened market sensitivity to capital intensive projects, has precluded a transaction from being effected.

As an alternative to the large scale mining scenario, the Company initiated a program in October 2014 aimed at constraining the high grade copper and molybdenum zones developed within the Los Calatos Porphyry Complex to create the basis for evaluating a development option comprising an initial, smaller, high grade mining operation with a lower pre-production capital requirement. This program is expected to be completed by late June 2015.

### Corporate Strategy

During 2014, the Board reviewed Metminco's development strategy in light of the challenges facing the Company in terms of the status quo of its two key assets and its cash reserves.

The Company's initial strategy was to advance Mollacas into production by early 2017, which would generate a free cash flow that would in part fund the planned work program at Los Calatos, as well as Metminco's longer term growth strategy. In late March 2014 the Court of Appeal IV Region, Chile ("Court of Appeal"), upheld an appeal by the owner of the surface title over the planned position of the open pit, and ruled that the Company's land access for mining purposes previously granted by a lower court to be void. The Company was granted leave to appeal to the Chilean Constitutional Tribunal on the grounds of the Court of Appeal's interpretation of various mining and civil codes, and its application of the rules of evidence. The planned Feasibility Study and Environmental Impact Study have been delayed pending resolution of this matter.

At Los Calatos, and in the absence of a funding partner, the Company delayed the commencement of the planned Pre-Feasibility Study as it relates to the large scale development scenario identified in 2013. However, in late 2014 the decision was made to evaluate an alternative development scenario for Los Calatos as a high grade, small tonnage, starter operation that focuses initially on the high grade copper and molybdenum zones developed within the Los Calatos Porphyry Complex. The work in support of this commenced in October 2014 with the re-logging of the 125,000 metres of drill core, aimed at better constraining the high grade mineralisation within the identified anhydrite breccias, and is scheduled for completion in June 2015 following the conclusion of a Preliminary Economic Assessment ("PEA"). Should the PEA return favourable results, the opportunity exists to accelerate the development of the project at a lower pre-production capital spend, whilst maintaining optionality of the more substantial mineral resource estimated in 2013.

The key objective of the Company in terms of its strategy is to achieve an attributable copper production of 50,000 tonnes by 2020, which would generate sufficient cash flow to ensure sustainability of the Company, and the payment of dividends to shareholders. It is envisaged that this production target will be achieved by developing Mollacas and Los Calatos in combination with the acquisition of projects that meet specific project selection criteria - where the timing of such an acquisition (or acquisitions) would be dictated by the rate at which the Company's own projects are developed. One of the key criteria in considering an acquisition opportunity is the ability to generate an attributable free cash flow in excess of US\$15 million per annum within a period of two years.

As mentioned previously, the development of the Mollacas Project represented a key component of the Company's strategy. Hence, to address the delay at Mollacas, and as part of the staged strategy to achieve the 2020 production target, Metminco aggressively embarked on an acquisition strategy, having evaluated in excess of 30 opportunities over the past year located in Australia and South America. Of the opportunities evaluated to-date, the Company has identified two opportunities that broadly comply with its defined project selection criteria, and are currently the subject of detailed due diligence.

Furthermore, and in order to minimise cash outflow whilst maintaining the integrity of the Company's projects and key technical skills, Metminco continues to reduce operating costs by implementing cost saving strategies in addition to withdrawing from prior projects that were at an early exploration stage.

It is clear that under current market conditions, particularly as it impacts on the junior resource sector, Metminco's strategy needs to have a measure of flexibility to accommodate developments in the context of its own projects, as well as to take advantage of potential acquisition opportunities as they arise. As such, considerable time and effort has been invested, with the support of RFC Ambrian and others, in developing funding strategies that will facilitate the attainment of the Company's future growth plans.

## DIRECTORS' REPORT

### LOS CALATOS PROJECT

#### Location and Access

The Los Calatos Project (“Los Calatos”) is located in southern Peru near, and in a similar geological setting to, three large operating copper-molybdenum open pit mines, namely Cuajone, Toquepala and Cerro Verde (Figure 2).

Production from mines in this region exceeded 600,000 tonnes of copper metal in 2013. With the proposed upgrade to the Toquepala, Cuajone and Cerro Verde mines and the development of the Tia Maria and Quellaveco projects, production from this belt is expected to increase to more than 1.3 million tonnes of copper metal per annum. Molybdenum constitutes a significant by-product of copper mining from this belt.

Los Calatos can be accessed via the Pan American Highway from Moquegua, and a 50 kilometre unsealed road north of the highway to the Project. The port of Ilo is located approximately 160 kilometres by road to the southwest of the project area (Figure 2).

**Figure 2:** Locality Plan – Los Calatos Copper Project and neighbouring mines.



The Project, which covers an area of 234 square kilometres, is located on state owned land approximately 80 kilometres to the southeast of Arequipa and 33 kilometres northwest of Moquegua, and occurs at an altitude of approximately 2,900 metres above mean sea level.

In July 2013 the Peruvian Government approved an increase in the area that Metminco may purchase under the Project of National Interest designation from 2,800 ha to 12,700 ha to accommodate the surface infrastructure required to exploit the Los Calatos deposit.

Following the conclusion of a Mining Scoping Study by NCL Ingeniería y Construcción Ltda (“NCL”) and a Mine Production Study by Runge Pincock Minarco (“RPM”) in 2013, Los Calatos is well placed for development as a low cost, long life, mining operation in an investment friendly jurisdiction.

Furthermore, the project is highly deliverable, with the designated status of a Project of National Interest by the Peruvian government that allows Metminco to acquire the surface title required for the planned mining infrastructure by direct purchase from the State. In addition, there is no competing land usage, seawater is

## DIRECTORS' REPORT

planned to be used for metallurgical processing purposes, and power costs are low by comparison to similar operations in Chile.

### Mineral Resources

During 2012 Metminco completed a 65,677 metre diamond drill program which culminated in an updated Mineral Resource Estimate announced on 4 March 2013. The Mineral Resource Estimate, which was completed by SRK Consulting (Chile) S.A. ("SRK"), incorporates the drilling results from 134 drill holes totalling 125,376 metres, of which 103 drill holes intersected the interpreted mineralised unit.

The Mineral Resource Estimate provides for mineral resources that are amenable to open-pit mining and underground bulk mining. Mineral resources amenable to open-pit mining are identified as those resources occurring near surface to a vertical depth of 700 metres (viz. above an elevation of 2,300 metres above sea level), whereas the resources amenable to underground bulk mining are identified as those resources occurring below this depth (Appendix 1: Tables 1 and 2). The total Mineral Resource, inclusive of Inferred Mineral Resources, is summarised in Table 1 below.

**Table 1:** Total Mineral Resource – Open Pit and Underground Mining Operations.

Potential mining method	Tonnes (million)	Cu (%)	Mo (%)
Open Pit	493	0.38	0.023
Underground – bulk mining	926	0.51	0.022
<b>Total Mineral Resource</b>	<b>1,419</b>	<b>0.47</b>	<b>0.022</b>

Note:

- i) Modified after SRK Consulting (Chile) S.A. February 2013 Mineral Resource Statement.
- ii) Open Pit: Mineral Resource Estimate reported at a 0.15% CuEq cut-off grade.
- iii) Underground: Mineral Resource Estimate reported at a 0.35% CuEq cut-off grade.

### RPM Mine Production Study

Following the completion of a Mining Scoping Study by NCL in March 2013, Metminco commissioned RPM to review the work completed by NCL with the objective of further optimising production rates, operating costs and capital expenditure. The results of this work were announced by the Company on 12 August 2013, and presently constitute the reference base for the project going forward.

RPM focussed primarily on optimising operating costs and capital expenditure. To this effect, they evaluated the opportunity to increase production rates from the open pit and underground block cave operations, as well as the opportunity to delay underground development until such time as production from the open pit had commenced.

Accordingly, RPM reviewed the pit optimisation work conducted by Metminco post the conclusion of the NCL Study, as well as the underground production schedule developed by NCL. Based on the results of their Mine Production Study, RPM concluded that production rates of 75ktpd and 70ktpd are achievable for the open pit and underground block cave operations respectively, and that the planned underground development could be delayed until such time as production has commenced from a larger open pit operation ("Optimised L3\_Model"). Figure 3 shows a section through the Los Calatos Block Model, demonstrating the position of the open pit and the planned underground block cave stopes.

Furthermore, RPM adjusted prior operating and capital cost estimates to accommodate the increased production rates.

### Optimised L3\_Model

#### Open Pit Operation

## DIRECTORS' REPORT

In an endeavour to increase the life of the open pit operation, Metminco conducted a series of additional pit optimisation runs using Whittle 4D Lerchs-Grossman software to determine the approximate shape of a deeper, near-optimal, pit shell based on applied cut-off grade criteria and acceptable pit slope angles and strip ratios.

RPM reviewed the results of the pit optimisation work and resultant mining schedule, and concluded that a deeper open pit was feasible, as well as a production rate of 75ktpd run-of-mine. Table 2 below summarises the results of this work.

**Table 2:** Key Results - Open Pit Optimised L3\_Model.

Subject	Units	Optimised L3_Model
Tonnes Mined	Mt	362
Head grade: Cu	Cu (%)	0.371
Contained Cu	Mmlbs	2,957
Total waste	Mt	1,217
Strip Ratio	Waste:Ore	3.36:1
Pit Slopes	Degrees	41 to 47
Final Pit Depth	metres below surface	±700
Life of Pit	Years	14

### Underground Block Cave

Having reviewed the production schedule developed by NCL for the underground block cave operation, RPM concluded that, with an average drawpoint extraction rate of 120tpd, the production rate could be increased to a maximum rate of 70ktpd. In addition, and with the increased life of the open pit to 14 years, it was confirmed that the planned underground development could be delayed until such time as production from the open pit had commenced, with a consequential reduction in the pre-production capital expenditure estimated by NCL.

Based on the work completed by RPM, a total of 449Mt was scheduled over the life of the underground block cave operation of 21-years (Table 3).

**Table 3:** Key Results – Underground Block Cave Optimised L3\_Model.

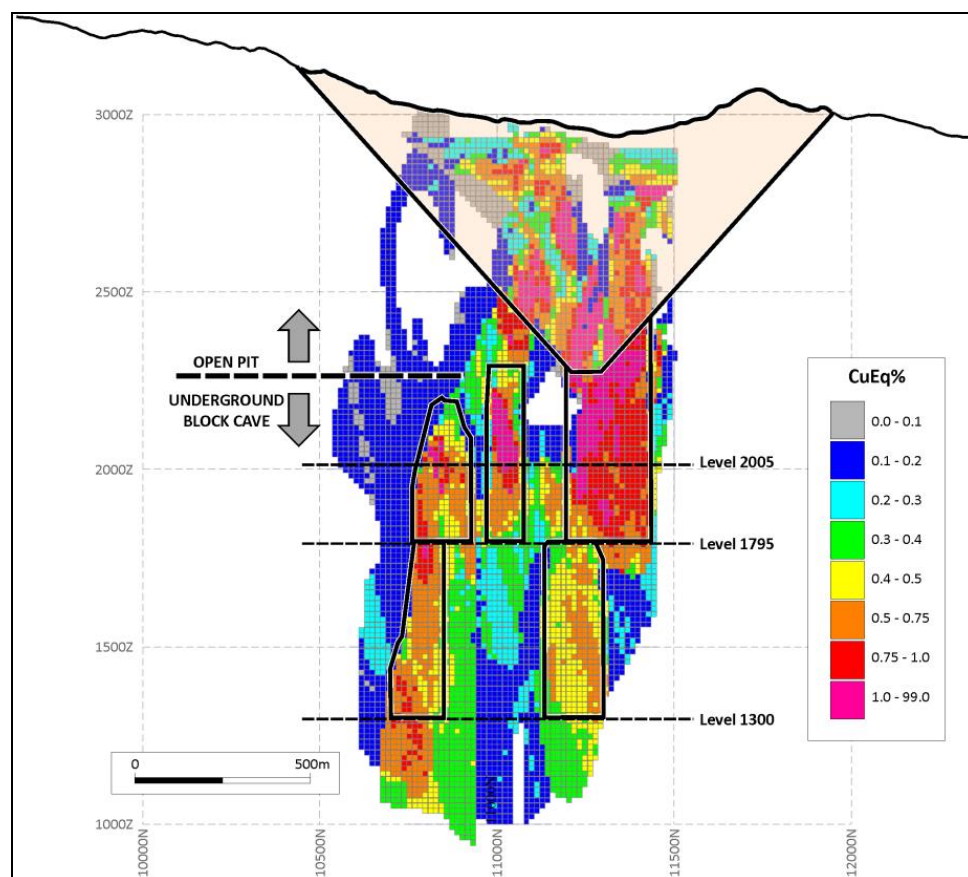
Subject	Units	Optimised L3_Model
Tonnes Mined	Mt	449
Head grade	Cu (%)	0.56
Contained Cu	mmlbs	5,525
Mining Levels	No.	2005, 1795 & 1300
Block Cave Stopes	No.	10
Life of Underground Block Cave	Years	21

From the work completed by RPM, it is clear that further refinement of the production schedule is required, which will necessitate detailed mine design and planning, that is to be undertaken during the planned Pre-Feasibility Study. In addition, further exploration drilling and geotechnical and hydrological work is required to realise the full potential of Level 1300.

The eventual use of the sub-level caving mining method to access several high grade areas that do not meet the minimum size specifications for block caving would also be assessed during the Pre-Feasibility Study.

## DIRECTORS' REPORT

**Figure 3:** Section 10300E showing the Los Calatos Block Model, the planned Open Pit and certain of the underground Block Cave Stops.



### Life of Mine – Optimised L3\_Model

The key operating parameters for the Optimised L3\_Model developed by RPM are summarised in Table 4, notably of which are the competitive cash operating costs (US\$1.12/lb) and the Unlevered Free Cash Flow over the Life of Mine (US\$5.5bn).

**Table 4:** Life of Mine – Key operating parameters Optimised L3\_Model.

Parameter	Optimised L3_Model
Total tonnes milled (million)	811
Average annual tonnes milled (million)	23.9
Average annual copper in concentrate (kt)	98.4
Average annual payable molybdenum (kt)	4.8
Strip Ratio (open pit)	3.36:1
Mining costs (US\$/t)	7.72
Processing costs (US\$/t)	4.58
G & A costs (US\$/t)	0.51
By - product credit (US\$/lb payable Cu)	0.73
Cash operating costs <i>net of credits</i> (US\$/lb copper)	1.12
Pre-production capital (US\$ million)	1,320
Unlevered free cashflow (post-tax) (US\$ million)	5,548

**DIRECTORS' REPORT**

Note:

- i) Cash operating costs exclude government royalties, but include all other costs and royalties.
- ii) By-product credits based on commodity prices Cu = US\$2.95/lb, Mo = US\$12.78/lb, Au = US\$1,348/oz, Ag = US\$25.00/oz and Re = US\$5,773/kg.

The envisaged life of mine for the Optimised L3\_Model can be summarised as follows:

- The project development schedule allows for construction of the surface infrastructure and the metallurgical plant to be undertaken simultaneously with the development of the open pit operation;
- The life of the open pit is estimated to be 14-years during which time a stockpile will be established, which will supplement production from the underground operation during the underground ramp-up stage (Years 11 to 19);
- The annual contained copper and molybdenum metal in concentrate is expected to average 98.4kt and 4.8kt respectively over the life of mine;
- Cash operating costs, net of by-product credits, are expected to average US\$1.12/lb of copper over the life of mine, and compare favourably with global cash costs, ranking the project in the lowest quartile of global producers;
- The initial capital requirement for the establishment of the open pit, surface infrastructure and metallurgical plant is estimated at US\$1,320 million, which includes a contingency of 25% by virtue of the current developmental status of the project. Sustaining capital will be funded from cashflow while the development of the underground mining operation may well be financed through a combination of debt and equity to maximise project returns and free up cashflow from the operation;
- The underground mine infrastructure will consist of a twin decline system, one for personnel and equipment, and an adjacent conveyor system for ore extraction. Four vertical raise-bored ventilation shafts will support the underground operation. Ore will be crushed through a primary crusher to be located underground; and
- The tonnes mined and treated over the life of the mine total 811 million tonnes, which will be processed through a conventional sulphide flotation plant using seawater for flotation purposes. Copper and molybdenum recoveries into separate concentrates are estimated to be 87% and 68% respectively based on initial metallurgical testwork.

**Metallurgical testwork**

A preliminary metallurgical testwork program was conducted on 11 sulphide composites (derived from drill core samples) in 2009 at the SGS Lakefield Laboratories in Santiago. The results provided a provisional indication of the expected recoveries and likely concentrate grades for a commercial operation, namely:

- 87% recovery for Cu (Concentrate grade = 25%);
- 68% recovery for Mo (Concentrate grade = 50%); and
- By products include gold, silver and rhenium.

A second, more detailed, metallurgical testwork program (Phase 2) is to take place during the planned Pre-Feasibility Study. To facilitate this the main 'ore-types' which are planned to be mined during the open pit mining phase at Los Calatos, as well as Level 2005 of the underground block cave operation, were differentiated into 9 geo-metallurgical units. The geo-metallurgical units were differentiated on the basis of those criteria that may impact on the copper extraction process such as low-grade and high-grade copper equivalent zones, supergene and primary material, lithology and alteration type, and the presence of potentially deleterious elements.

The planned metallurgical program will include both grinding and flotation testwork, and will confirm the relevant metallurgical parameters for the planned Feasibility Study. All of the proposed metallurgical tests will be carried out

## **DIRECTORS' REPORT**

using sea water, as this will be the fluid medium of choice for the extraction process in the main commercial plant. Metallurgical tests will, however, also be conducted using potable water for comparative purposes.

### **Metallurgical Circuit**

Based on the preliminary metallurgical testwork conducted to-date, the planned metallurgical circuit will be identical to that of other porphyry hosted copper-molybdenum operations in the Region, producing separate copper and molybdenum concentrates.

Due to sensitivities revolving around the use of potable water, the Company plans to use seawater as the principle processing medium in the flotation circuit. However, a reverse osmosis plant would be required to produce clean water for the processing of the molybdenum concentrate.

In order to access seawater, a 75 kilometre pipeline is planned to the coast, which will be used to pump water to the site. In addition, a parallel pipeline would be used to pump concentrate to a filtration plant and loading facility located on the coast. The installation of the two pipelines and the associated infrastructure would require a "Right of Access", which is currently under review. The cost of this infrastructure has been provided for in the estimated capital cost for the Project.

### **Alternative Development Option**

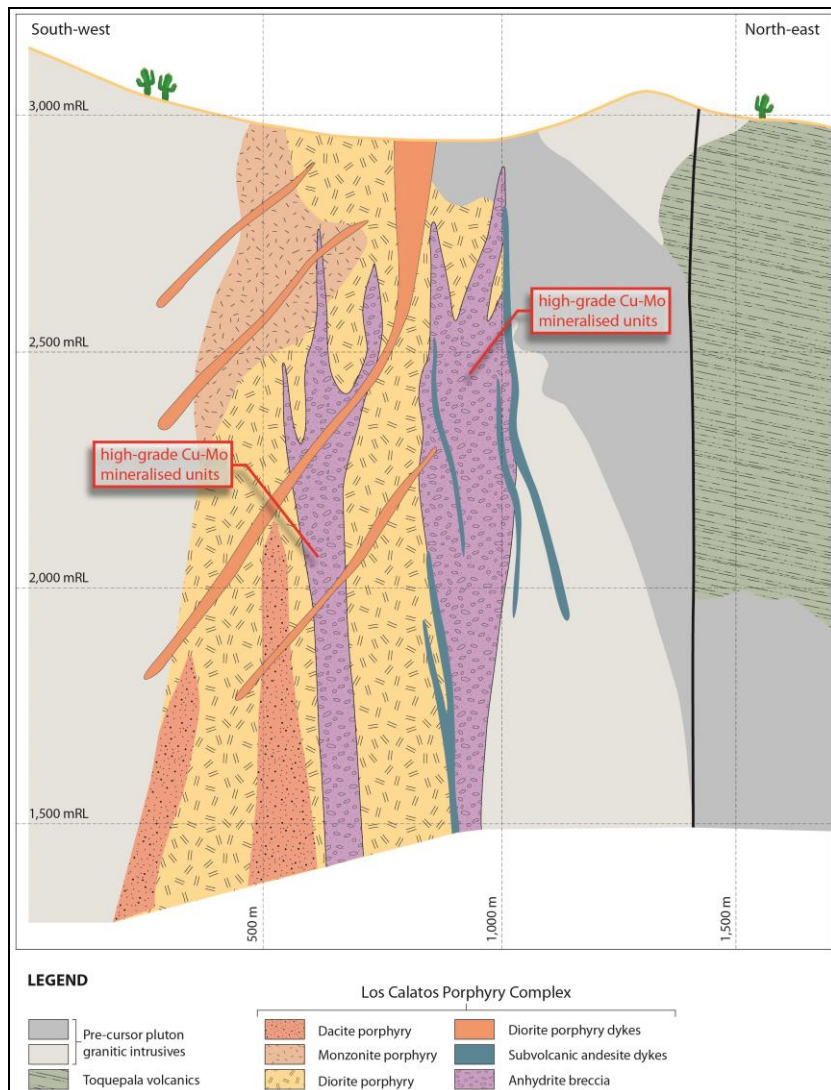
The Company initiated a detailed drill core re-logging program in October 2014 aimed at better constraining, and estimating, the high-grade mineral resources associated with the Los Calatos Porphyry Complex. It is anticipated that this work will introduce additional optionality for the development of Los Calatos.

The drill core re-logging program at Los Calatos has been completed and an updated mineral resource estimate and PEA is expected to be completed in June 2015. The PEA will evaluate the technical and financial merits of developing Los Calatos as an initial, smaller tonnage, high grade mining operation, whilst maintaining optionality on the larger mineral resource estimated by SRK in 2013. This in turn would facilitate a broader spectrum on financing options for the advancement of the project, particularly if (as one would anticipate) there is a material reduction in the pre-production capital.

The program to-date has identified a series of sub-vertical monzonite porphyry dykes and associated anhydrite breccia complexes, which collectively form two elongate, NW-SE trending sub-vertical bodies which contain the significantly higher copper and molybdenum grades encountered in the drilling. Figure 4 graphically depicts the geometry of the two main anhydrite breccia complexes that contain the high grade copper and molybdenum mineralisation. Appendix 1 (Table 3) provides an indication of the tonnage and copper and molybdenum grades at a 1% CuEq cut-off grade as reported from the current February 2013 Mineral Resource Estimate.

## DIRECTORS' REPORT

**Figure 4:** Schematic Cross-Section through the Los Calatos Porphyry Complex showing the position of the high grade anhydrite breccia units.



## MOLLACAS PROJECT

### Location and Access

The Mollacas Project, which occurs at an altitude of 1,500 metres above sea level, covers an area of 33 square kilometres and is located in Region IV, Chile, approximately 65 kilometres east of the town of Ovalle near the small settlements of Valdivia and Las Mollacas, and 160 kilometres by road from the port of La Serena. The project can be accessed from Ovalle via a 53 kilometre asphalt road to the town of Rapel, and then by 12 kilometres of a well-maintained dirt road east of Rapel.

### Title

The Company holds title to 21 Exploitation Licences covering the Mollacas deposit and surrounding area, as well as 181 hectares of surface rights, the latter of which were acquired for the establishment of mine infrastructure such as the leach pads, processing plant, administration facilities and mine workshops. Importantly, Metminco owns the water rights to approximately 187 litres/sec from two canals which traverse the property. The estimated water usage for the planned mining operation is 40 litres/sec.



## DIRECTORS' REPORT

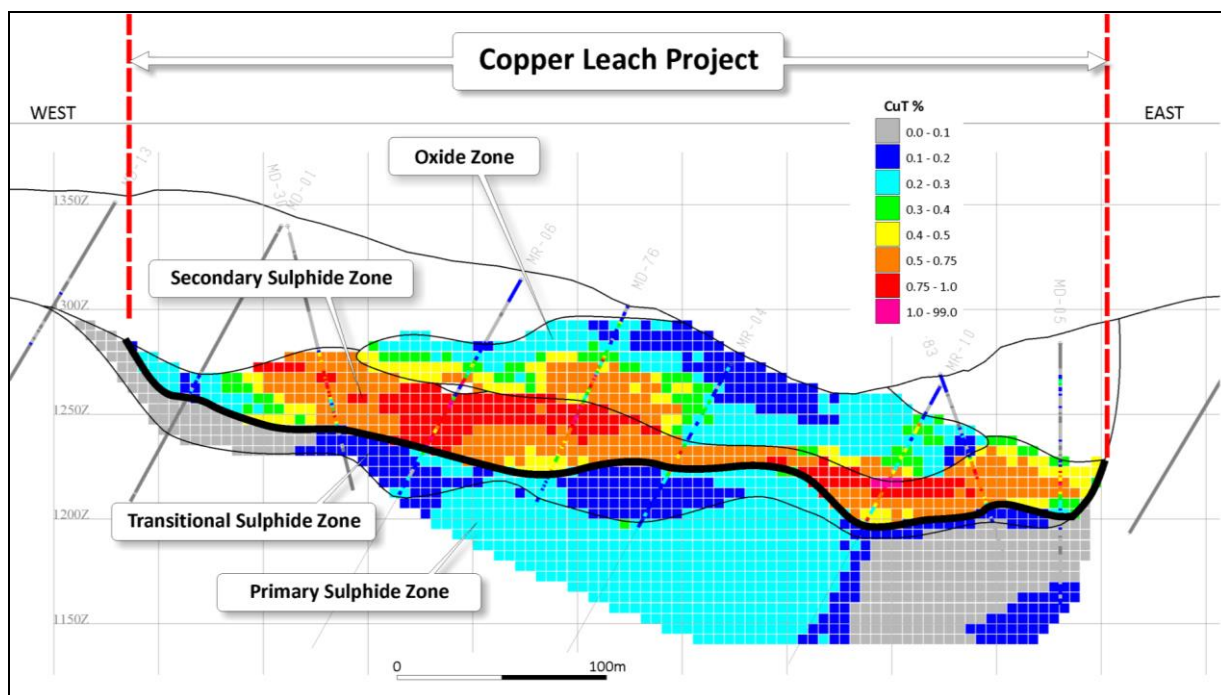
### Mineral Resource Estimate

With the completion of the final drilling program at Mollacas in early 2012, a further mineral resource was estimated by SRK on 06 July 2012, which incorporates the results from 119 drill holes (16,280 metres), of which 95 holes are diamond drill holes (12,784 metres) and 24 are reverse circulation holes (3,496 metres). The mineral resource estimate for the oxide and secondary sulphide zone (Appendix 1: Table 4) has been classified in accordance with the JORC Code (2004) for reporting Mineral Resources and Mineral Reserves.

The Measured and Indicated Mineral Resource for the oxide and secondary sulphide zone at a 0.2% Cu cut-off grade is 15.5 million tonnes at a CuT grade of 0.51%, containing 79,111 tonnes of leachable copper. Of the leachable copper, an estimated 61,650 tonnes is soluble.

Figure 5 represents an east-west section through the Mollacas Block Model showing the distribution of copper grades by ore type.

**Figure 5:** East-West section through the Mollacas Block Model.



### Metallurgical Testwork

Metminco has completed three separate phases of metallurgical column leach testwork on the different ore types identified at Mollacas over a period of 4 years. The Phase 1 testwork was designed as a preliminary test program to determine whether the Mollacas oxide and chalcocite ore types leached, and whether any major problems existed in a possible leach environment. The columns used in this phase were 2 metre columns.

The Phase 2 testwork program used 6 metre columns, and although recoveries were acceptable, the columns remained flooded throughout the program. Hence, whilst recoveries were acceptable, acid consumption was high due to the fact that ferric leaching of the chalcocite ore was suppressed by the lack of oxygen in the system, principally due to the high solution application rate.

The Phase 3 testwork was conducted within tightly controlled operating parameters so as to create the most conducive environment for ferric leaching of the chalcocite ore, and to determine the optimum acid addition strategy so as to minimise acid consumption - as the results of the Phase 2 testwork clearly demonstrated how sensitive the gangue rock is to the acid concentration applied to the ore.

The most significant findings arising from the Phase 3 testwork can be summarised as follows:

## DIRECTORS' REPORT

- All rock-type composites tested in the 6 metre columns performed similarly and satisfactorily both with respect to their hydraulic characteristics (that is, <50% saturation to ensure good biological leach conditions), and with respect to recovery and acid consumption;
- Bacterial activity was improved significantly in comparison to the Phase 2 testing, by adhering to the ore depth and dry-bulk density parameters recommended by the consultants IDIEM;
- Additional hydraulic characterisation conducted by MINTEK, South Africa, also showed the leached residue to have positive characteristics with respect to percentage saturation and dry-bulk density under the anticipated 6 to 10 metre load for single-lift leaching;
- The “sequential” assay procedure appears to be ideally suited to modelling the “leachable” copper resource with consistency of recovery in the column testing;
- There is a slight “soluble” copper grade versus recovery relationship which, together with the “net” gangue acid consumption, should be used to determine the cut-off grade and modelling of the “leachable” ore reserves;
- Testing shows that the commercial extraction rate should attain 80% to 85% of the deposit-average, “sequential”, assayed copper content - provided all the recommended operating parameters are met; and
- Acid consumption, with strict control of both the amount added in agglomeration and via the raffinate solution, should be 12 kg/t to 14 kg/t in total, although the possibility exists that this can be reduced further by 2.5 kg/t to 5 kg/t.

Additional column leach testwork is planned to determine the lowermost limit of acid addition in the agglomeration stage with the objective of determining whether the acid consumption can be reduced further.

### Life of Mine Financial Model

With the benefit of the pit optimisation study completed by the Company in 2013, and the Phase 3 metallurgical testwork results, the Scoping Study completed by SRK in 2008 was updated, inclusive of revised operating costs and capital estimates.

The Life of Mine production schedule incorporated the results of the pit optimisation work completed in 2013, with a modelled inventory of 14.5 million tonnes at a CuT grade of 0.52% (0.42% Cu\_Sol), with an in situ soluble copper content of 60,753 tonnes. However, as the pit optimisation study of 2013 does not provide for the updated mining and processing costs, and given the substantial changes in the acid consumption rate, further optimisation work is to be undertaken during the planned Feasibility Study.

At a mining rate of 6,108 tonnes per day, the project has a Life of Mine of some 7 years, producing up to 8,000 tonnes of cathode copper per annum. The results of the Life of Mine Financial Model are summarised in Table 5 below, which support the robust nature of the economics, and hence the decision to progress with a Feasibility Study and Environmental Impact Assessment.

**Table 5:** Summary of results - Life of Mine Financial Model (March 2014).

Physicals	Units	Parameter
Mining Rate	Ore (tpd)	6,108
Crushing Rate (Max)	000 tpa	2,500
Total Tonnes	000's	14,500
Average Cu_Sol Grade	%	0.42
Payable Cu	tonnes	51,765
Life of Mine	Years	7
Strip Ratio	Waste:Ore	1.3:1
Time to Production	Years	2.50

**DIRECTORS' REPORT**

<b>Financials</b>	<b>Units</b>	<b>Parameter</b>
Feasibility Study and Permitting	US\$000	6,600
Development Capital (includes pre-stripping)	US\$000	40,456
Sustaining Capital	US\$000	5,250
Total Capital Expenditure	US\$000	52,306
C1 Cash Operating Costs	US\$/lb Cu	1.23
Operating Cost (per tonne crushed)	US\$/t	9.68
Government Royalties	%	n/a
<b>Project Economics (ungeared)</b>	<b>Units</b>	<b>Parameter</b>
Project NPV (After Tax) @ 8.0%	US\$000	74,921
IRR	%	37.2
Payback	Years	2.44
<b>Project Economics (geared)</b>	<b>Units</b>	<b>Parameter</b>
Interest Rate (US Libor + 4.5% per annum)	%	6.30
Gearing Ratio (Debt:Equity)	%	70:30
NPV (After Tax) @ 8%	US\$000	74,416
IRR	%	41.0
Ave. Copper Price	US\$/lb	3.10

*Note: Effective tax rate of 20% assumes profits are not repatriated.*

**Feasibility Study and Environmental Impact Assessment**

Based on the encouraging results from the Life of Mine Financial Model, the decision was made to proceed with a Feasibility Study, as well as an Environmental Impact Assessment. Work that has been completed on the project to-date in support of the planned Feasibility Study includes the following:

- Updated Scoping study;
- Resource definition drill programs;
- Oxide and secondary sulphide resource upgraded to Measured and Indicated Mineral Resource categories;
- Phase 3 metallurgical testwork program (tall column leach testwork, permeability and saturation testing and derivation of acid consumption rates);
- Geotechnical design work for proposed heap leach pads;
- Geotechnical work in support of the 3-D modelling of the planned open pit and associated slope angles;
- Environmental base line study; and
- Freehold rights for planned infrastructure purchased and supporting water rights.

Following the ruling by the Court of Appeal that the Company's First Easement Extension granting the Company land access rights was invalid, Metminco has delayed further work on the project pending resolution of the land access matter.

## DIRECTORS' REPORT

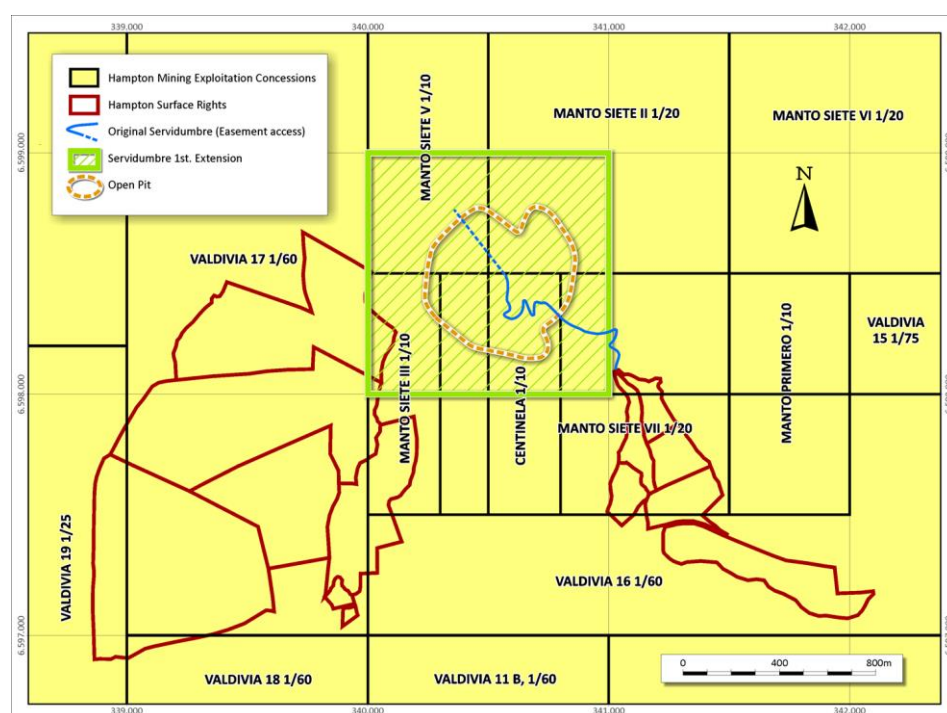
### Land Access and Title

Metminco holds title to 21 Exploitation Concessions covering the Mollacas deposit and surrounding area, as well as surface title over 180 hectares of land adjacent to the proposed open pit operation. The Company also owns water rights to approximately 187 litres/sec from two canals which traverse the properties, albeit that the estimated water usage for the envisaged mining operation will be 40 litres/sec.

The surface title on which the proposed open pit is to be located is held by a private land holder (100 hectares), who since 2004 has filed various actions in relation to land access matters all of which had been unsuccessful until the decision of the Court of Appeal in March 2014 (Figure 6).

Metminco is progressing the granting of land access rights at the Mollacas Project through the courts, with a decision on the Company's appeal to the Chilean Constitutional Tribunal anticipated to be handed down shortly, and in parallel, by direct negotiation with the owner of the surface titles.

**Figure 6:** Mineral and surface rights held by Metminco.



### OTHER PROJECTS

#### Vallecillo Project

The Vallecillo Project covers an area of 156 square kilometres, and is located approximately 50 kilometres northeast of Ovalle and some 25 kilometres north of the Mollacas Project, at an altitude of 1,800 to 2,500 metres above mean sea level.

The project hosts porphyry related base and precious metal mineralisation that occurs in an arcuate polymetallic belt that has been defined on the basis of a soil geochemical sampling program conducted by Metminco during 2009 and 2010. Four polymetallic targets have been identified (namely targets V1 to V4), of which the V1 target (La Colorada deposit) has been drilled extensively, such that a mineral resource has been estimated in accordance with the JORC Code (2004). Appendix 1 (Table 5) summarises the mineral resource estimate for La Colorada as at October 2012.

On the basis of the exploration work conducted to-date, the resultant mineral resource estimate and preliminary financial modelling, it is clear that additional mineral resources need be identified to justify the establishment of an economically viable mining operation.

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Whilst the possibility exists for the identification of further La Colorada type polymetallic deposits, no further exploration work was conducted during the reporting year. The Company does not plan to undertake any work during the forthcoming year and consequently the carrying value of this project was written off in full (\$5,101,672).

### Loica Project

The Loica Project covers an area of 35 square kilometres and is located approximately 100 kilometres to the southeast of Ovalle, 30 kilometres south of the Mollacas Project, and occurs at an altitude of 2,000 to 2,800 metres above mean sea level.

The Loica-Victoria area comprises a hydrothermal alteration system measuring 5 by 2.5 kilometres, which hosts a "porphyry copper" style of mineralisation. The deposit is related to a dacitic porphyry which has intruded volcanic and volcanoclastic rocks. The outcropping lithological units have been mapped, and indicate the presence of a large hydrothermal alteration system with a potassium silicate nucleus surrounded by an extensive envelope of quartz-sericite altered rocks, which are in turn enclosed within a propylitically altered halo.

Over the period June 2006 to early 2007 Metminco completed 8 inclined Reverse Circulation drill holes (4,426m) and 3 inclined diamond drill holes (2,001m). All of the drill holes intersected low grade mineralisation over large drill intercepts within a depth range of 0 to 659 metres. The best results returned were from drill hole LR 07 (Reverse Circulation) located near the core of the porphyry system (32 metres at 0.36% Cu and 128ppm Mo).

An exploration program is required that incorporates deep-penetrating geophysical methods and a staged diamond drilling program in order to confirm the geometry of the porphyry system and to assess the tenor of the porphyry style mineralisation at greater depths than those tested to-date.

No exploration work was undertaken during the reporting year. The Company does not plan to undertake any work during the forthcoming year and consequently the carrying value of this project was written off in full (\$2,051,837).

**DIRECTORS' REPORT****APPENDIX 1****Mineral Resources**

Summarised below are the mineral resources that have been estimated by SRK Consulting (Chile) S.A. in accordance with the JORC Code (2004) for the Company's most advanced projects, namely Los Calatos, Mollacas and Vallecillo (La Colorada deposit).

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

**Los Calatos Project**

**Table 1:** Mineral Resource Statement – Mineral Resources to a vertical depth of 700 metres below surface (above 2,300 masl).

Category	Tonnes (million)	Cu (%)	Mo (%)
Measured	222	0.37	0.031
Indicated	191	0.38	0.020
<b>Measured &amp; Indicated</b>	<b>413</b>	<b>0.37</b>	<b>0.026</b>
Inferred	80	0.42	0.009

Note:

- i) *Open Pit: Mineral Resource Estimate reported at a 0.15% CuEq cut-off grade.*
- ii) *Modified after SRK Consulting (Chile) S.A. February 2013 Mineral Resource Statement.*
- iii) *Rounding may result in minor discrepancies.*

**Table 2:** Mineral Resource Statement – Mineral Resources sub-700 metres below surface (below 2,300 masl).

Category	Tonnes (million)	Cu (%)	Mo (%)
Measured	206	0.49	0.032
Indicated	437	0.52	0.020
<b>Measured &amp; Indicated</b>	<b>643</b>	<b>0.51</b>	<b>0.024</b>
Inferred	283	0.52	0.018

Note:

- i) *Underground: Mineral Resource Estimate reported at a 0.35% CuEq cut-off grade.*
- ii) *Modified after SRK Consulting (Chile) S.A. February 2013 Mineral Resource Statement.*
- iii) *Rounding may result in minor discrepancies.*

**DIRECTORS' REPORT****Table 3: Los Calatos Project Grade – Tonnage Table (SRK Mineral Resource – February 2013)**

Cut-off CuEq (%)	Measured				Indicated				Total Measured + Indicated				Inferred				Total			
	Tonnes (Mt)	Cu (%)	Mo (%)	CuEq (%)	Tonnes (Mt)	Cu (%)	Mo (%)	CuEq (%)	Tonnes (Mt)	Cu (%)	Mo (%)	CuEq (%)	Tonnes (Mt)	Cu (%)	Mo (%)	CuEq (%)	Tonnes (Mt)	Cu (%)	Mo (%)	CuEq (%)
0.50	193.16	0.60	0.050	0.81	315.57	0.63	0.030	0.75	509	0.62	0.038	0.77	189.83	0.64	0.020	0.74	699	0.62	0.033	0.76
0.55	161.67	0.63	0.050	0.86	261.63	0.67	0.030	0.80	423	0.65	0.038	0.82	153.75	0.68	0.030	0.79	577	0.66	0.036	0.81
0.60	136.21	0.66	0.060	0.92	215.97	0.70	0.040	0.85	352	0.68	0.048	0.88	122.92	0.72	0.030	0.84	475	0.69	0.043	0.87
0.65	115.99	0.69	0.060	0.97	176.31	0.73	0.040	0.90	292	0.71	0.048	0.93	102.16	0.76	0.030	0.89	394	0.73	0.043	0.92
0.70	100.33	0.72	0.070	1.02	147.80	0.76	0.040	0.94	248	0.74	0.052	0.97	84.44	0.80	0.030	0.93	333	0.76	0.047	0.96
0.75	86.62	0.75	0.070	1.06	119.76	0.80	0.050	0.99	206	0.78	0.058	1.02	66.41	0.85	0.030	0.99	273	0.80	0.051	1.01
0.80	73.90	0.77	0.080	1.11	94.93	0.83	0.050	1.05	169	0.80	0.063	1.08	53.07	0.90	0.030	1.04	222	0.83	0.055	1.07
0.85	62.20	0.81	0.080	1.17	74.43	0.87	0.060	1.11	137	0.84	0.069	1.14	41.90	0.95	0.040	1.10	179	0.87	0.062	1.13
0.90	52.46	0.84	0.090	1.22	60.07	0.91	0.060	1.17	113	0.88	0.074	1.19	32.56	1.01	0.040	1.16	145	0.91	0.066	1.19
0.95	44.76	0.86	0.100	1.27	47.29	0.95	0.070	1.24	92	0.91	0.085	1.25	24.14	1.10	0.040	1.25	116	0.95	0.075	1.25
1.00	37.61	0.89	0.100	1.33	38.24	0.99	0.070	1.30	76	0.94	0.085	1.31	18.17	1.20	0.030	1.34	94	0.99	0.074	1.32
1.05	32.23	0.92	0.110	1.38	31.99	1.03	0.080	1.35	64	0.97	0.095	1.37	14.55	1.28	0.030	1.42	79	1.03	0.083	1.38
1.10	27.77	0.95	0.110	1.43	26.88	1.06	0.080	1.41	55	1.00	0.095	1.42	10.96	1.39	0.030	1.53	66	1.07	0.084	1.44
1.15	23.21	0.98	0.120	1.48	22.59	1.09	0.090	1.46	46	1.03	0.105	1.47	9.76	1.44	0.030	1.58	56	1.11	0.092	1.49
1.20	19.70	1.02	0.120	1.54	19.10	1.11	0.090	1.51	39	1.06	0.105	1.53	8.87	1.48	0.030	1.62	48	1.14	0.091	1.54
1.25	16.38	1.05	0.130	1.60	15.57	1.13	0.100	1.58	32	1.09	0.115	1.59	8.22	1.50	0.030	1.65	40	1.17	0.098	1.60
1.30	13.69	1.10	0.130	1.67	12.48	1.15	0.120	1.65	26	1.12	0.125	1.66	7.40	1.53	0.040	1.69	34	1.21	0.106	1.67
1.35	11.30	1.14	0.140	1.74	10.05	1.16	0.130	1.73	21	1.15	0.135	1.74	6.72	1.56	0.040	1.73	28	1.25	0.112	1.73
1.40	9.50	1.18	0.150	1.81	8.35	1.17	0.150	1.81	18	1.18	0.150	1.81	5.86	1.59	0.040	1.79	24	1.28	0.123	1.81
1.45	8.11	1.23	0.150	1.88	7.05	1.18	0.160	1.88	15	1.21	0.155	1.88	5.55	1.61	0.050	1.81	21	1.31	0.127	1.86

Note:  $CuEq\% = Cu\% + [(PMo \times RecMo) / (PCu \times RecCu)] \times Mo\%$  using a Cu Price (PCu) = US\$2.75/lb, Mo Price (PMo) = US\$15.00/lb, Cu Recovery (RecCu) = 87% and Mo Recovery (RecMo) = 68%. Thus, the formula used is:  **$CuEq\% = Cu\% + [4.2633 \times Mo\%]$**

**DIRECTORS' REPORT****Mollacas Project****Table 4:** Mineral Resource Statement, July 2012 (Copper Leach Project – Oxides & Secondary Sulphides).

Category	Tonnes (million)	CuT (%)	Cu_Sol(%)	Au (g/t)
Measured	11.2	0.55	0.44	0.12
Indicated	4.3	0.41	0.29	0.14
<b>Measured &amp; Indicated</b>	<b>15.5</b>	<b>0.51</b>	<b>0.40</b>	<b>0.13</b>

Note:

- i) Reported at a cut-off of 0.20% Cu.
- ii) Mineral Resource estimated by SRK Consulting (Chile) S.A.
- iii) Rounding may result in minor discrepancies.

**Vallecillo Project (La Colorada deposit)****Table 5:** Mineral Resource Statement, October 2012.

Category	Tonnes (million)	Au (g/t)	Ag (g/t)	Zn (%)	Cu (%)	Pb (%)
Measured	5.5	0.84	9.99	1.12	0.06	0.32
Indicated	2.6	0.80	10.23	0.94	0.07	0.35
<b>Measured &amp; Indicated</b>	<b>8.1</b>	<b>0.82</b>	<b>10.06</b>	<b>1.06</b>	<b>0.06</b>	<b>0.33</b>
Inferred	0.86	0.50	8.62	0.48	0.12	0.17

Note:

- i) Reported at a cut-off of 0.20g/t Au.
- ii) Mineral Resource estimated by SRK Consulting (Chile) S.A.
- iii) Rounding may result in minor discrepancies.



## **DIRECTORS' REPORT**

### **Competent Person's Statement**

#### **Metminco**

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Colin Sinclair, BSc, MSc, who is a Member of the Australasian Institute of Mining and Metallurgy, and is currently employed by the Company in Chile.

Colin Sinclair has sufficient experience (over 30 years) which is relevant to the style of mineralisation, type of deposit under consideration, and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results'. Mr Sinclair, as Competent Person for this report, has consented to the inclusion of the information in the form and context in which it appears herein.

#### **SRK Consulting (Chile) S.A.**

Metminco supplied SRK with a geological model and the drill data. Precious and base metal grades were estimated into a block model using ordinary kriging with GEMCOM software.

The information provided in this report as it relates to Exploration Results and Mineral Resources is based on information compiled by George G. Even, Principal Geologist of SRK Consulting in Santiago, Chile. Mr Even, a Qualified Person for JORC 2004 compliant statements, reviewed the technical information presented in this document. Mr Ernesto Jaramillo, Principal Resource Geologist with SRK Santiago, performed the resource estimation. Mr Even has sufficient experience that is relevant to the style of mineralisation and type of mineral deposit under consideration, and to the activity which was undertaken, to make the statements found in this report in the form and context in which they appear.

Mr Even and Mr Jaramillo have consented to be named in this report, and have approved of the inclusion of the information attributed to them in the form and context in which it appears herein.

### **Forward Looking Statement**

All statements other than statements of historical fact included in this report including, without limitation, statements regarding future plans and objectives of Metminco are forward-looking statements. When used in this report, forward-looking statements can be identified by words such as "anticipate", "believe", "could", "estimate", "expect", "future", "intend", "may", "opportunity", "plan", "potential", "project", "seek", "will" and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this report, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management of Metminco that could cause Metminco's actual results to differ materially from the results expressed or anticipated in these statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this report will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Metminco does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this report, except where required by applicable law and stock exchange listing requirements.

## DIRECTORS' REPORT

### Corporate

The Consolidated Group after tax loss for the full year ended 31 December 2014, including an impairment of A\$7,204,568, was A\$12,922,938.

Following an assessment of expenditure priorities the Company has determined to not to undertake any significant work on its Vallecillo and Loica projects in the forthcoming year.

Accordingly the Company recorded a write off in the carrying value for Vallecillo (\$5,101,672), Loica (\$2,051,837), Isidro (\$22,926) and its other projects (\$28,133).

The Company has recently further restructured its operations to reduce the Company's operational expenditure, whilst maintaining its projects (Los Calatos, Mollacas, Loica and Vallecillo) and its capacity to evaluate near term cash flow assets and manage due diligence on these opportunities.

### Funding

During the year the Company raised approximately A\$1.1 million by issue of 93,186,903 fully paid ordinary shares ("Shares") in accordance with the funding agreement with New York based Bergen Global Opportunity Fund ("Bergen"), announced 31 July 2014. The Company issued 12,786,097 Shares and 5,000,000 options to acquire a Share at A\$0.0302 per Share on or before 1 August 2017 in lieu of facility fees.

In December 2014 the Company and Bergen by mutual agreement agreed to a postponement of the Bergen Facility.

Subsequent to the year end, on 18 February 2015 the Company announced the completion of a A\$1 (£0.5) million capital raising ("the Placing"). A total of 179,191,151 new fully paid ordinary shares ("Shares") were placed by RFC Ambrian at a price of A\$0.006 (£0.003) each with an unlisted option to acquire an additional Share at A\$0.006 (£0.003) per Share no later than 3 calendar months after the date of issue of the option ("New Options").

The Placing comprises of two tranches with 75,335,833 Shares and attached 75,335,833 New Options issued on 20 February 2015 and, subject to shareholder approval at a General Meeting to be held on or about 24 March 2015, the Company will issue 103,855,318 Shares and 103,855,318 New Options on or about 27 March 2015.

The Company also announced that a non-renounceable pro-rata rights issue of one (1) new Share and one (1) New Option for every 3.25 Shares held by Australian, United Kingdom and New Zealand shareholders registered on the share register of Metminco on the same terms as the Placing, to raise up to A\$3 million, will be made shortly.

### Cash Position

Metminco's cash position as at 31 December 2014 was A\$1.2 million (US\$1.0 million).

At the project level work commenced on an evaluation of the Los Calatos Project with a view to assessing the economic viability of a smaller, high grade, starter mining operation that focuses on the higher grade copper and molybdenum zones that occur within discrete anhydrite breccia zones. In December 2014 the Company completed re-logging work at Los Calatos as a precursor to undertaking a preliminary economic assessment of development options for the Los Calatos Project. The Company also incurred legal and other costs associated with pursuing mining access rights at its Mollacas copper leach project in Chile. Feasibility study expenditure at Mollacas is on hold while the Company progresses mining access rights. Expenditure at Vallecillo and Loica was limited to payment of licence fees.

During the year the Company incurred expenditure in relation to evaluation of various merger and acquisition opportunities and is in advanced discussions with third parties in relation to a potential transaction. These discussions may or may not result in a successful transaction for the Company.

The Consolidated Group has made a loss for the year of \$12,922,938 including a \$7,204,568 write off of its Vallecillo and Loica projects. Metminco is an exploration Company currently without an operating cash inflow and the net cash position of the Group will continue to decrease until such time as the Group has an operating cash inflow. The net cash flow outflow for the year including payments for exploration was \$7,115,711 and the cash balance at the end of the year was \$1,192,693. These conditions give rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

Notwithstanding the material uncertainty the Directors are of the opinion, having made due and careful enquiry, that there are reasonable grounds to form the view that the Company will, taking into account the Placing and the Pro Rata Rights Issue Offer announced 18 February 2015, have sufficient working capital for its present requirements.

## DIRECTORS' REPORT

In forming this view the Directors have considered in detail a number of potential scenarios including cash to be raised from the Placing, potential funds raised pursuant to the Pro Rata Rights Offer, the restructure of the Company's operations as well as other merger and acquisition strategies in play. In addition funds pursuant to the exercise of the Placing Options and the Pro Rata Rights Issue Offer Options may provide further funding.

The Company continues with discussions with third parties in relation to merger and acquisition opportunities and will be continuing expenditure on evaluation of opportunities during the current quarter. These discussions may or may not result in a successful transaction for the Company. The Company is evaluating a number of strategies with respect to potential acquisitions and funding its strategies and ongoing operations.

### Change of Nomad and Broker

On 22 October 2014 the Company appointed RFC Ambrian as Metminco's Nominated Advisor to the AIM market and joint broker to the Company.

RFC Ambrian is a leading independent global mining and energy corporate advisory business and provides highly-rated equity research. RFC Ambrian has particular focus on the Australian and London equity markets.

### Expiry of Options

On 5 December 2014, 2,500,000 unlisted options exercisable at A\$0.215 per fully paid ordinary share lapsed unexercised.

On 5 December 2014, 2,500,000 unlisted options exercisable at A\$0.260 per fully paid ordinary share lapsed unexercised.

### Significant Changes in State of Affairs

There are no significant changes in the state of affairs during the year other than as disclosed in this report.

### Dividends paid or recommended

No dividends were paid or declared during the year by the Company. The Directors do not recommend paying a final dividend for the year ended 31 December 2014.

### Events subsequent to reporting date

On 18 February 2015 the Company announced the completion of a A\$1 (£0.5) million capital raising ("the Placing"). A total of 179,191,151 new fully paid ordinary shares ("Shares") were placed by RFC Ambrian at a price of A\$0.006 (£0.003) each with an unlisted option to acquire an additional Share at A\$0.006 (£0.003) per Share no later than 3 calendar months after the date of issue of the option ("New Options").

The Placing comprises of two tranches with 75,335,833 Shares and attached 75,335,833 New Options issued on 20 February 2015 and, subject to shareholder approval at a General Meeting to be held on or about 24 March 2015, the Company will issue 103,855,318 Shares and 103,855,318 New Options on or about 27 March 2015.

The Company also announced that a non-renounceable pro-rata rights issue of one (1) new Share and one (1) New Option for every 3.25 Shares held by Australian, United Kingdom and New Zealand shareholders registered on the share register of Metminco on the same terms as the Placing, to raise up to A\$3 million will be made shortly.

No other material events have occurred subsequent to the end of the financial period.

### Likely future developments

The Group will continue exploration activities and further advancement of mineralised deposits in Chile and Peru, focussing primarily on advancing the Los Calatos and Mollacas projects.

### Environmental regulations

The Group's operations are subject to significant environmental regulations under the laws of Australia, Chile and Peru. The Directors are not aware of any breaches of the legislation during the year that are material in nature.

In Chile the Environmental Act provides a framework for environmental policy and in Peru environmental policy is governed by the Environmental Regulation for Mining Exploration Projects (Supreme Decree N 020-200-EM).

**DIRECTORS' REPORT****Information on Directors**

<b>Timothy Read</b>	Non Executive Chairman (appointed Non-Executive Chairman effective 30 June 2013)
QUALIFICATIONS	BA (Economics), Fellow of the Chartered Institute for Securities and Investment (retired)
EXPERIENCE	Appointed on 1 April 2010, Tim has over forty years experience in the mining and metals sector, first as a mining analyst, then as an investment banker and, most recently, as a corporate executive and director. Between 1995 and 1999, he was Managing Director and Global Co-Head of Mining and Metals Investment Banking for Merrill Lynch Inc. and, accordingly has extensive experience in all aspects of corporate finance, particularly M&A and equity capital markets. Between 1999 and 2006, he was the chief executive of Adastra Minerals Inc (acquired by First Quantum Minerals in 2006) and since then has acted as a non-executive director for several natural resource companies including Cumerio SA (acquired by Norddeutsche Affinerie in 2008), Kopane Diamond Developments (until December 2009), Starfield Resources Inc (until July 2011) and Faroe Petroleum plc. Tim is also a Director of Capital Drilling Limited, a company listed on the London Stock Exchange and a Director of Lydian International, a company listed on the Toronto Stock Exchange.
INTEREST IN SHARES AND OPTIONS	1,400,000 ordinary fully paid shares in Metminco Limited and 2,000,000 options to acquire shares.
SPECIAL RESPONSIBILITIES	Chairman of the Remuneration and Nomination and member of the Audit and Risk committees.
<b>William Howe</b>	Managing Director
QUALIFICATIONS	B.Sc. FAusIMM
EXPERIENCE	Appointed as a Director on 17 July 2009 and Managing Director on 8 December 2010. William, the founder of Hampton Mining Limited, has over 30 years experience in the mining industry and has worked in Southern and West Africa, Asia, Australia and the USA. He has been instrumental in the development of a number of new mining operations in Australia and Indonesia including the development and management of the first copper heap leach project in Australia, and an open pit coal mine in South East Kalimantan in Indonesia. He specializes in optimising existing operations and the development of new operations in both underground and open pit mining environments and has extensive experience in mine development, mine management and corporate management. He has worked in many geological and mining environments in several countries around the world and in such commodities as gold, coal, copper, uranium, antimony, chrome and tin. William was a founding director of Straits Resources Limited and was Managing Director of Ghana Gold Mines Limited, Hargraves Resources NL, Selwyn Mines Limited and Hampton Mining Limited.
INTEREST IN SHARES AND OPTIONS	50,000,000 ordinary shares in Metminco Limited.
<b>Phillip Wing</b>	Non Executive Director
QUALIFICATIONS	PhD, MEc, BEc, CA
EXPERIENCE	Appointed on 17 July 2009, Phillip is the Executive Chairman of a number of special purpose private equity firms. He is currently Chairman of a family office private equity fund and non executive Director of six investee companies ranging from mining to medical devices. Until January 2006, Phillip was for 7 years a partner of Technology Venture Partners (TVP), a specialist Institutional Information Technology and Telecommunications venture capital firm, and was an active non-executive director on many of TVP's portfolio companies in Australia and overseas. Prior to joining TVP, Phillip was a senior executive in IBM's global and Asia Pacific management team. He held responsibility for a major industry business unit in Asia and was also General Manager of the IBM (Australia and New Zealand) consulting business. His last role in IBM was as General Manager (Global Services) responsible for strategy, marketing and business development including acquisitions, alliances and business partners. Prior to his career at IBM, Phillip was a

**DIRECTORS' REPORT**

partner at Ernst and Young, KPMG Peat Marwick and Touche Ross, specializing in strategy and IT and corporate advisory consulting. Phillip held managing partner roles responsible for the consulting business units and spent two years on secondment as the Chief Information Officer of NSW Health. Phillip has worked extensively in the USA, Asia, and Europe. He has a Bachelor and Masters of Economics and has completed a PhD in Organisational Change. He is a member of the Institute of Chartered Accountants, and also an adjunct lecturer with the Centre for Applied Finance (Macquarie University).

INTEREST IN SHARES AND OPTIONS 15,893,336 ordinary shares in Metminco Limited.

SPECIAL RESPONSIBILITIES Chairman of the Audit and Risk Committee and member of the Remuneration and Nomination committee.

**Roger Higgins** Non Executive Director

QUALIFICATIONS BE, MSc, and PhD

EXPERIENCE Roger was appointed to the Board in October 2013. He has over 40 years of mining industry experience, which has included environmental, strategy, project development and operational roles.

Roger's earlier career included various hydrology related positions in Papua New Guinea (Australian Government and Bougainville Copper), and four years at the University of New South Wales, where he completed a PhD in water resource economics. He subsequently spent 26 years with BHP including roles as Manager Planning and Development BHP Copper, General Mine Manager Escondida, Managing Director Ok Tedi, Vice President Project Development Chile, and Vice President and Chief Operating Officer Australia, responsible for the Olympic Dam and Cannington mines. Thereafter he spent five years with Teck Resources Limited as Senior Vice President Copper in Vancouver BC where he lead operations and related activities in Canada, Chile and Peru.

He is a non-executive Director of Ok Tedi Mining Ltd, Chairman of the International River Foundation, and an Adjunct Professor with the Sustainable Minerals Institute at the University of Queensland. Professional Societies include Fellow, Institution of Engineers, Australia and Fellow, Australasian Institute of Mining and Metallurgy.

INTEREST IN SHARES AND OPTIONS 600,000 ordinary shares in Metminco Limited.

SPECIAL RESPONSIBILITIES Chairman of the Safety, Health and Sustainable Development Committee.

**Stephen Tainton** Executive Director

QUALIFICATIONS B.Sc. Geology (Hons)

EXPERIENCE Stephen is a geologist by profession with over 30 years' experience in the exploration and mining sector of Africa, with a particular focus on South Africa and gold. Whilst he has spent most of his career in South Africa, he has been involved with the evaluation of projects in some 27 different countries involving a variety of commodities. Having started his career with Johannesburg Consolidated Investments Limited, he has held various positions in management, from exploration to business development, which culminated in his holding the position of Executive Director of the JSE listed company Western Areas Limited, prior to the sale thereof to Gold Fields Limited. At Gold Fields Stephen held the position of Senior Consultant Strategy responsible for Gold Fields' SA Region, and more specifically their deep level gold mines, South Deep, Kloof, Driefontein and Beatrix. Thereafter, he joined Partners in Performance, a Sydney based consultancy group, which focuses on Business Improvement.

INTEREST IN SHARES AND OPTIONS 300,000 ordinary shares in Metminco Limited.

## DIRECTORS' REPORT

**Francisco Vergara-Irarrazaval** Non Executive Director

**QUALIFICATIONS** Law Degree from the Catholic University of Chile.  
Fulbright Scholar and undertook graduate studies in the Institute of International and Foreign Trade Law of Georgetown University, Washington D.C. and at the Law School of Cornell University, Ithaca, New York.

**EXPERIENCE** Appointed on 1 April 2010, Francisco has over 30 years experience in the mining industry in Chile and other Latin American countries where he was Vice President of Compania Minera El Indio and Compania Minera San Jose, subsidiaries of St. Joe Minerals Corporation until 1991. In 1991, he established Vergara & Cia, Law Firm, providing legal services to different mining companies and international engineering firms focused in natural resources, energy, shipping and agriculture. Vergara has also acted for foreign governments through their embassies in Chile and as Director of listed companies and Chairman and Director of a number of unlisted companies.

**INTEREST IN SHARES AND OPTIONS** 50,140,000 ordinary shares in Metminco Limited.

**SPECIAL RESPONSIBILITIES** Member of the Audit and Risk, Remuneration and Nomination and Safety, Health and Sustainable Development Committees.

### Company Secretary

**Philip Killen** Chief Financial Officer/Company Secretary

**QUALIFICATIONS** B.Maths/B.Com, CPA

**EXPERIENCE** Appointed as the Secretary on 31 October 2009. Philip is a finance professional with over 18 years experience in the mining and exploration sector as principal of CPK Consulting and prior to that in various senior executive roles, including Financial Controller of Plutonic Resources Limited and Chief Financial Officer of Otter Gold Mines Limited. Previously he was with the Caltex Group for over 10 years in various senior finance, audit and technology roles located in Australia and overseas. His experience includes financial modeling to support bankable feasibility studies, development of funding strategies, treasury, statutory and ASX compliance reporting, and implementation of commercial systems.

**INTEREST IN SHARES AND OPTIONS** 4,344,836 ordinary shares in Metminco Limited.

### Meetings of the Board

The Board of Directors held 9 meetings during the year ended 31 December 2014. Attendances of Directors at these meetings are shown in the table below:

DIRECTOR	MEETINGS ATTENDED	ELIGIBLE TO ATTEND BOARD MEETINGS
Timothy Read	9	9
Phillip Wing	9	9
William Howe	9	9
Francisco Vergara – Irarrazaval	9	9
Roger Higgins	9	9
Stephen Tainton	9	9

### Meetings of Board Committees

The number of board committee meetings held and the number of meetings attended by each director (who are members of board committees) during the year ended 31 December 2014 were as follows:

## DIRECTORS' REPORT

DIRECTOR	AUDIT AND RISK COMMITTEE		REMUNERATION AND NOMINATION COMMITTEE		SAFETY, HEALTH AND SUSTAINABLE DEVELOPMENT COMMITTEE	
	MEETINGS ATTENDED	ELIGIBLE TO ATTEND MEETINGS	MEETINGS ATTENDED	ELIGIBLE TO ATTEND MEETINGS	MEETINGS ATTENDED	ELIGIBLE TO ATTEND MEETINGS
Timothy Read	3	3	2	2	-	-
Francisco Vergara - Irarrazaval	2	3	2	2	1	1
Phillip Wing	3	3	1	1	-	-
Roger Higgins	-	-	-	-	1	1

### Indemnification of Directors and Officers

Under the provisions of the Constitution of the Company every officer (and former officer) of the Company is indemnified, to the extent permitted by law, against all costs expenses and liabilities incurred as an officer providing it is in respect of a liability to another person (other than the Company or a related body corporate) where such liability does not arise out of conduct involving a lack of good faith and is in respect of a liability for costs and expenses incurred in defending proceedings in which judgment is given in favour of the officer or in which the officer is acquitted or is granted relief under the Law.

The Company has paid premiums to insure the Directors and Officers against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in their capacity as officers of the Company other than conduct involving a wilful breach of duty in relation to the Company. The premiums amounted to A\$22,211 for the year ended 31 December 2014 (for the year ended 31 Dec 2013: A\$21,853).

### Indemnification of Auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of the Company.

### Options

At the date of this report, the unissued ordinary shares of Metminco Limited under option are as follows:

#### Unlisted Options

GRANT DATE	DATE OF EXPIRY	EXERCISE PRICE	NUMBER UNDER OPTION
15 June 2012	15 June 2015	\$0.175	2,000,000
15 June 2012	15 June 2015	\$0.210	2,000,000
28 January 2013	28 January 2016	\$0.075	250,000
28 January 2013	28 January 2016	\$0.089	250,000
1 August 2014	1 August 2017	\$0.0302	5,000,000
			<b>9,500,000</b>

Option holders do not have any right to participate in any issues of shares or other interests in the Company or any other entity. There have been no unissued shares or interests under option of any controlled entity within the Group during the reporting period. For details of options issued to directors and executives as remuneration, refer to the *Remuneration Report*.

### Non – audit services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

## **DIRECTORS' REPORT**

- all non-audit services are reviewed prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No fees were paid or are payable to Grant Thornton for non-audit services provided during the year ended 31 December 2014.

### **Auditor's Independence Declaration**

The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 for the year ended 31 December 2014 is set out on page 38, and forms part of this report.

### **Proceedings on behalf of the Company**

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.



## DIRECTORS' REPORT

### REMUNERATION REPORT (Audited)

#### Remuneration Policy

The remuneration policy of Metminco has been designed to align remuneration arrangements with strategic business objectives, empowering employees by differentiating top performers, whilst achieving simplicity and transparency in the design and communication of remuneration. Key management personnel are provided with a fixed remuneration component and specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of Metminco believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Company is as follows:

- The remuneration policy is to be developed by the Remuneration and Nomination Committee and approved by the Board. The overriding responsibility of the Remuneration and Nomination Committee is to create the remuneration policies and practices that achieve the best value for shareholders. Pay and incentives have to be set at the right level to attract and retain good management and to fully incentivise outstanding management performance, but at levels that are in line with the sector in general, and that provide a fair return to shareholders.
- The Remuneration and Nomination Committee reviews key management personnel packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors. For the purposes of assessing the appropriate level of executive remuneration, the Remuneration and Nomination Committee references the McDonald & Company independent remuneration reports on the resources sector companies. The McDonald & Company reports are considered the most relevant source of comparator information as it comprises organisations broadly comparable to Metminco. Additional references are also made to other relevant supplementary comparator groups.

The performance of key management personnel is measured against criteria agreed with each executive. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Committee's recommendations. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

Australian resident management personnel receive a superannuation guarantee contribution required by the Superannuation Guarantee legislation, and do not receive any other retirement benefits.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. All remuneration paid to key management personnel is valued at the cost to the Company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Remuneration and Nomination Committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on the McDonald & Company reports, market practice, duties and accountability.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting.

There is currently no relationship between remuneration and the entity's performance due to the exploration phase of the entity.

#### Performance based Remuneration

The Company did not pay performance based remuneration to executive, non executive directors or any other key management personnel during 2014.

#### Employment Details of Members of Key Management Personnel and Other Executives

The following table provides employment details of persons who were, during the year, members of key management personnel of the Group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

**DIRECTORS' REPORT**

	POSITION HELD AS AT 31 DECEMBER 2014 AND ANY CHANGE DURING THE YEAR	CONTRACT DETAILS (DURATION & TERMINATION)	PROPORTIONS OF ELEMENTS OF REMUNERATION RELATED TO PERFORMANCE		PROPORTIONS OF ELEMENTS OF REMUNERATION NOT RELATED TO PERFORMANCE		
			NON-SALARY CASH-BASED INCENTIVES	SHARES/ UNITS	OPTI ONS/ RIGH TS	FIXED SALARY/ FEES	TOTAL
			%	%	%	%	%
<b>Group Key Management Personnel</b>							
William Howe	Managing Director	Written Contract (6 months' notice)	–	–	–	100	100
Phillip Wing	Non Executive Director	No written contract	–	–	–	100	100
Tim Read	Chairman	No written contract	–	–	–	100	100
Francisco Vergara-Irarrazaval	Non Executive Director	No written contract	–	–	–	100	100
Philip Killen	CFO and Company Secretary	Written contract (6 months' notice)	–	–	–	100	100
Colin Sinclair	Consultant	Written contract (12 months & no termination notice)	–	–	–	100	100
Stephen Tainton	Executive Director	Written contract (6 months' notice)	–	–	–	100	100
Gavin Daneel	General Manager Exploration	Written contract (6 months' notice)	–	–	–	100	100
Roger Higgins	Non Executive Director	No written contract	–	–	–	100	100

The employment terms and conditions of key management personnel are usually formalised in contracts of employment.

Terms of employment require that the relevant group entity provide an executive with their contractual entitlements.

A contracted person employed on a permanent basis may terminate their employment in accordance with their contract by giving three month's prior written notice and by the Company by giving six month notice. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

Non-Executive Directors are not subject to contracts. Termination payments are at the discretion of the Board.

**Changes in Directors and Executives Subsequent to 31 December 2014**

There were no changes in Directors or Executives subsequent to 31 December 2014.

**Remuneration Details during the year ended 31 December 2014**

The following table of benefits and payments, in respect of the financial year details, the components of remuneration for each member of the key management personnel of the Consolidated Group.

**DIRECTORS' REPORT****Table of benefits and payments for key management personnel for the year Ended 31 December 2014:**

		SHORT-TERM BENEFITS				POST-EMPLOYMENT BENEFITS		LONG-TERM BENEFITS		EQUITY-SETTLED SHARE-BASED PAYMENTS		CASH-SETTLED SHARED-BASED PAYMENTS	TERMINATION BENEFITS	TOTAL
		SALARY, FEES AND LEAVE	PROFIT SHARE AND BONUSES	NON-MONETARY	HOUSING ALLOWANCE	PENSION AND SUPER-ANNUATION	OTHER	INCENTIVE PLANS	LSL	SHARES/ UNITS	OPTIONS/ RIGHTS			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Group Key Management Personnel</b>														
William Howe	Dec 2014	420,000 *	-	-	-	30,000	-	-	-	-	-	-	-	450,000
	Dec 2013	450,000	-	-	58,275	-	-	-	-	-	-	-	-	508,275
Phillip Wing	Dec 2014	85,000 *	-	-	-	-	-	-	-	-	-	-	-	85,000
	Dec 2013	83,439	-	-	-	-	-	-	-	-	-	-	-	83,439
William Etheridge	Dec 2014	-	-	-	-	-	-	-	-	-	-	-	-	-
	Dec 2013	84,063	-	-	-	-	-	-	-	-	-	-	-	84,063
Tim Read	Dec 2014	163,878 *	-	-	-	-	-	-	-	-	-	-	-	163,878
	Dec 2013	126,458	-	-	-	-	-	-	-	-	-	-	-	126,458
Francisco Vergara-Irarrazaval	Dec 2014	75,000 *	-	-	-	-	-	-	-	-	-	-	-	75,000
	Dec 2013	75,000	-	-	-	-	-	-	-	-	-	-	-	75,000
Philip Killen	Dec 2014	270,000 *	-	-	-	30,000	-	-	-	-	-	-	-	300,000
	Dec 2013	275,117	-	-	-	24,883	-	-	-	-	-	-	-	300,000
Colin Sinclair	Dec 2014	175,200	-	-	-	-	-	-	-	-	-	-	-	175,200
	Dec 2013	277,167	-	-	-	-	-	-	-	-	-	-	-	277,167
Stephen Tainton	Dec 2014	310,000 *	-	-	-	30,000	-	-	-	-	-	-	-	340,000
	Dec 2013	286,832	-	-	-	23,168	-	-	-	-	-	-	-	310,000
Gavin Daneel	Dec 2014	265,833	-	-	-	34,167	-	-	-	-	-	-	-	300,000
	Dec 2013	291,666	-	-	23,451	8,334	-	-	-	-	-	-	-	323,451
Roger Higgins	Dec 2014	75,000 *	-	-	-	-	-	-	-	-	-	-	-	75,000
	Dec 2013	17,339	-	-	-	-	-	-	-	-	-	-	-	17,339
Antonio Ortuzar	Dec 2014	-	-	-	-	-	-	-	-	-	-	-	-	-
	Dec 2013	50,000	-	-	-	-	-	-	-	-	-	-	-	50,000
<b>Total Key Management Personnel</b>	<b>Dec 2014</b>	1,839,911	-	-	-	124,167	-	-	-	-	-	-	-	1,964,078
	Dec 2013	2,017,081	-	-	81,726	56,385	-	-	-	-	-	-	-	2,155,192

\* From 1 July 2014 onwards 10% of the monthly remuneration has been voluntarily deferred (\$85,361). Mr Read has deferred 100% of fees for services. Effective 1 January 2015, Directors and executives have voluntarily agreed to increase the deferral to 50%. Deferred amounts are payable the earlier of termination and availability of funding in excess of the Company's needs.

**Securities Received that are not Performance Related**

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

**Cash Bonuses, Performance-related Bonuses and Share-based Payments**

Executive directors and senior executives may be eligible to participate in an annual bonus based on performance of the Company and the executive's contribution thereto, as determined by the Remuneration Committee. The Company has not paid bonuses to executive directors and senior executives in 2014.

**DIRECTORS' REPORT****Options and Rights Issued, Granted & Exercised**

There were no options or rights issued or granted to directors and employees, or exercised by directors and employees during the year.

The number of options held by each key management personnel of the Group during the full year is as follows:

	Balance at the beginning of the year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of the year	Vested during the period	Vested and exercisable
<b>31-December 14</b>							
William Howe	–	–	–	–	–	–	–
Phillip Wing	–	–	–	–	–	–	–
Francisco Vergara - Irarrazaval	–	–	–	–	–	–	–
Tim Read	2,000,000	–	–	–	2,000,000	–	2,000,000
Philip Killen	1,000,000	–	–	(1,000,000)	–	–	–
Stephen Tainton	2,000,000	–	–	(2,000,000)	–	–	–
Roger Higgins	–	–	–	–	–	–	–
Gavin Daneel	1,000,000	–	–	(1,000,000)	–	–	–
Colin Sinclair	1,000,000	–	–	(1,000,000)	–	–	–
	<b>7,000,000</b>	–	–	<b>(5,000,000)</b>	<b>2,000,000</b>	–	<b>2,000,000</b>
<b>31-December 13</b>							
Antonio Ortuzar (*)	5,000,000	–	–	(3,000,000)	2,000,000	–	2,000,000
William Howe	–	–	–	–	–	–	–
Philip Wing	–	–	–	–	–	–	–
William Etheridge (**)	–	–	–	–	–	–	–
Francisco Vergara - Irarrazaval	–	–	–	–	–	–	–
Tim Read	8,000,000	–	–	(6,000,000)	2,000,000	–	2,000,000
Philip Killen	5,000,000	–	–	(4,000,000)	1,000,000	–	1,000,000
Stephen Tainton	2,000,000	–	–	–	2,000,000	–	2,000,000
Gavin Daneel	2,500,000	–	–	(1,500,000)	1,000,000	–	1,000,000
Colin Sinclair	6,000,000	–	–	(5,000,000)	1,000,000	–	1,000,000
Roger Higgins	–	–	–	–	–	–	–
	<b>28,500,000</b>	–	–	<b>(19,500,000)</b>	<b>9,000,000</b>	–	<b>9,000,000</b>

\* Antonio Ortuzar resigned as a Director and Chairman on 30 June 2013

\*\* William Etheridge resigned as a Director on 8 October 2013

**DIRECTORS' REPORT**

The number of shares held by each key management personnel of the Group during the full year is as follows:

	BALANCE AT THE BEGINNING OF THE YEAR	GRANTED AS REMUNERATION DURING THE PERIOD	ISSUED ON EXERCISE OF OPTIONS DURING THE PERIOD	OTHER CHANGES DURING THE PERIOD	BALANCE 31 DECEMBER 2014
<b>31 December 2014</b>					
William Howe	48,735,095	–	–	1,264,905	50,000,000
Phillip Wing	15,893,336	–	–	–	15,893,336
Tim Read	1,400,000	–	–	–	1,400,000
Francisco Vergara – Irrarazaval	50,140,000	–	–	–	50,140,000
Philip Killen	4,344,836	–	–	–	4,344,836
Stephen Tainton	300,000	–	–	–	300,000
Gavin Daneel	–	–	–	–	–
Colin Sinclair	6,276,094	–	–	–	6,276,094
Roger Higgins	600,000	–	–	–	600,000
	<b>127,689,361</b>	<b>–</b>	<b>–</b>	<b>1,264,905</b>	<b>128,954,266</b>

	BALANCE AT THE BEGINNING OF THE YEAR	GRANTED AS REMUNERATION DURING THE PERIOD	ISSUED ON EXERCISE OF OPTIONS DURING THE PERIOD	OTHER CHANGES DURING THE PERIOD	BALANCE 31 DECEMBER 2013
<b>31 December 2013</b>					
Antonio Ortuzar (*)	6,400,000	–	–	–	6,400,000
William Howe	48,735,095	–	–	–	48,735,095
Phillip Wing	15,893,336	–	–	–	15,893,336
William Etheridge (**)	62,205,931	–	–	(2,400,000)	59,805,931
Tim Read	1,000,000	–	–	400,000	1,400,000
Francisco Vergara – Irrarazaval	50,140,000	–	–	–	50,140,000
Philip Killen	4,344,836	–	–	–	4,344,836
Stephen Tainton	200,000	–	–	100,000	300,000
Gavin Daneel	–	–	–	–	–
Colin Sinclair	5,906,094	–	–	370,000	6,276,094
Roger Higgins (***)	–	–	–	600,000	600,000
	<b>194,825,292</b>	<b>–</b>	<b>–</b>	<b>(930,000)</b>	<b>193,895,292</b>

\* Antonio Ortuzar resigned as a Director and Chairman on 30 June 2013

\*\* William Etheridge resigned as a Director on 8 October 2013

\*\*\* Roger Higgins was appointed as a Director on 8 October 2013

**Long-Term Incentive Plan**

A Long-Term Incentive Plan (LTIP) for employees of the Company was approved by shareholders at the 2013 Annual General Meeting held on 29 May 2014. At this stage no entitlements have been issued under the LTIP.

**Use of remuneration consultants**

No remuneration consultants were used during the year.

## **DIRECTORS' REPORT**

### **Voting and comments made at the company's 2013 Annual General Meeting (AGM)**

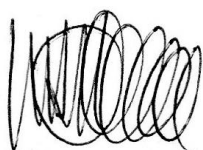
The company received 72% "For" votes on its remuneration report for the 2013 financial year. No other specific feedback was received at the AGM on its remuneration report.

End of audited remuneration report.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

William Howe

MANAGING DIRECTOR

A handwritten signature in black ink, appearing to be 'W. Howe', written in a cursive style.

11 March 2015

SYDNEY

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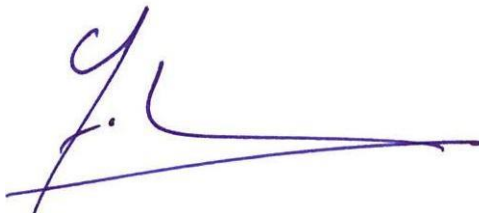
### **Auditor's Independence Declaration To the Directors of Metminco Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Metminco Limited for the year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



C F Farley  
Partner - Audit & Assurance

Sydney, 11 March 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTE	CONSOLIDATED GROUP	
		31 DECEMBER 2014 \$	31 DECEMBER 2013 \$
Revenue	2	10,135	89,019
Profit on disposal of assets		–	25,308
Foreign exchange (loss)/gain		(610,084)	709,209
Administration expenses		(1,991,226)	(2,980,726)
Corporate expenses		(1,131,966)	(1,532,491)
Occupancy expense		(297,523)	(448,898)
Exploration and evaluation expenditure impaired	13	(7,204,568)	(31,933,723)
Evaluation and due diligence expenses		(1,697,706)	–
<b>Loss before income tax</b>		<b>(12,922,938)</b>	<b>(36,072,302)</b>
Income tax expense	4	–	–
<b>Loss for the year</b>	3	<b>(12,922,938)</b>	<b>(36,072,302)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign controlled entities (net of tax)		6,146,533	11,897,260
<b>Total Comprehensive Loss for the year</b>		<b>(6,776,405)</b>	<b>(24,175,042)</b>
<b>Loss for the year attributable to members of the parent entity:</b>			
		<b>(12,922,938)</b>	<b>(36,072,302)</b>
<b>Total comprehensive loss attributable to members of the parent entity:</b>			
		<b>(6,776,405)</b>	<b>(24,175,042)</b>
<b>From continuing operations:</b>			
Basic loss per share (cents)	7	(0.73)	(2.06)
Diluted loss per share	7	(0.73)	(2.06)

The financial statements should be read in conjunction with the accompanying notes.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	NOTE	CONSOLIDATED GROUP	
		31 DECEMBER 2014	31 DECEMBER 2013
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	1,192,693	7,807,995
Trade and other receivables	9	316,471	579,185
Other assets	10	30,990	33,697
<b>TOTAL CURRENT ASSETS</b>		<b>1,540,154</b>	<b>8,420,877</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	9	4,878,723	4,935,546
Property, plant and equipment	12	4,124,135	4,098,597
Exploration and evaluation expenditure	13	193,531,440	192,301,260
<b>TOTAL NON-CURRENT ASSETS</b>		<b>202,534,298</b>	<b>201,335,403</b>
<b>TOTAL ASSETS</b>		<b>204,074,452</b>	<b>209,756,280</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	472,705	578,243
Short term provisions	15	308,888	280,044
<b>TOTAL CURRENT LIABILITIES</b>		<b>781,593</b>	<b>858,287</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term provisions	15	47,224	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>47,224</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>828,817</b>	<b>858,287</b>
<b>NET ASSETS</b>		<b>203,245,635</b>	<b>208,897,993</b>
<b>EQUITY</b>			
Issued capital	16	318,677,036	317,607,678
Reserves	25	(26,640,427)	(29,605,407)
Accumulated losses		(88,790,974)	(79,104,278)
<b>TOTAL EQUITY</b>		<b>203,245,635</b>	<b>208,897,993</b>

The financial statements should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

CONSOLIDATED GROUP	ISSUED CAPITAL \$	ACCUMULATED LOSSES \$	OPTION RESERVE \$	FOREIGN CURRENCY TRANSLATION RESERVE \$	ACQUISITION RESERVE \$	TOTAL \$
Total equity as at 1 Jan 2013	<b>317,607,678</b>	<b>(43,031,976)</b>	<b>3,422,081</b>	<b>(3,431,152)</b>	<b>(41,506,662)</b>	<b>233,059,969</b>
Loss attributable to members of the parent entity	–	(36,072,302)	–	–	–	(36,072,302)
Other comprehensive income	–	–	–	11,897,260	–	11,897,260
Total comprehensive loss	–	(36,072,302)	–	11,897,260	–	(24,175,042)
Transactions with owners:						
Options issued to directors and employees	–	–	13,066	–	–	13,066
Balance as at 31 December 2013	<b>317,607,678</b>	<b>(79,104,278)</b>	<b>3,435,147</b>	<b>8,466,108</b>	<b>(41,506,662)</b>	<b>208,897,993</b>
Total equity as at 1 Jan 2014	<b>317,607,678</b>	<b>(79,104,278)</b>	<b>3,435,147</b>	<b>8,466,108</b>	<b>(41,506,662)</b>	<b>208,897,993</b>
Loss attributable to members of the parent entity	–	(12,922,938)	–	–	–	(12,922,938)
Other comprehensive income	–	–	–	6,146,533	–	6,146,533
Total comprehensive loss	–	(12,922,938)	–	6,146,533	–	(6,776,405)
Transactions with owners:						
Shares issued during the period	1,402,130	–	–	–	–	1,402,130
Transaction costs	(332,772)	–	–	–	–	(332,772)
Options expired	–	3,236,242	(3,236,242)	–	–	–
Options issued during the period	–	–	54,689	–	–	54,689
Balance as at 31 December 2014	<b>318,677,036</b>	<b>(88,790,974)</b>	<b>253,594</b>	<b>14,612,641</b>	<b>(41,506,662)</b>	<b>203,245,635</b>

The financial statements should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTE	CONSOLIDATED GROUP	
		31 DECEMBER 2014	31 DECEMBER 2013
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(3,158,424)	(4,416,981)
Business development and evaluation		(1,697,706)	–
Interest received		10,135	89,019
Net cash used in operating activities	21(b)	<b>(4,845,995)</b>	<b>(4,327,962)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment		(13,553)	(46,863)
Payments for exploration expenditure		(2,641,877)	(6,407,928)
Recovery of VAT in Peru		372,161	3,331,520
Sale of assets		–	65,920
Net cash used in investing activities		<b>(2,283,269)</b>	<b>(3,057,351)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		1,136,173	–
Payments in respect to capital raisings		(12,127)	–
Net cash provided by financing activities		<b>1,124,046</b>	<b>–</b>
<b>Net decrease in cash held</b>		<b>(6,005,218)</b>	<b>(7,385,313)</b>
Cash and cash equivalents at the beginning of the year		7,807,995	14,484,097
Effect of exchange rates on cash holdings in foreign currencies		(610,084)	709,211
Cash and cash equivalents at the end of the year	21(a)	<b>1,192,693</b>	<b>7,807,995</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Metminco Limited and controlled entities ("Consolidated Group" or "Group") for the full year ended 31 December 2014.

#### Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Metminco Limited is a for profit entity for the purpose of preparing the financial statements. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements were authorised for issue by the directors on 11 March 2015.

#### a. Going concern basis of accounting

The Consolidated Group has made a loss for the year of \$12,922,938 including a \$7,204,568 write off of its Vallecillo and Loica projects. Metminco is an exploration Company currently without an operating cash inflow and the net cash position of the Group will continue to decrease until such time as the Group has an operating cash inflow. The net cash flow outflow for the year including payments for exploration was \$7,115,711 and the cash balance at the end of the year was \$1,192,693. These conditions give rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

Notwithstanding the material uncertainty the Directors are of the opinion, having made due and careful enquiry, that there are reasonable grounds to form the view that the Company will, taking into account the Placing and the Pro Rata Rights Issue Offer announced 18 February 2015, have sufficient working capital for its present requirements.

In forming this view the Directors have considered in detail a number of potential scenarios including cash to be raised from the Placing, potential funds raised pursuant to the Pro Rata Rights Offer, the restructure of the Company's operations as well as other merger and acquisition strategies in play. In addition funds pursuant to the exercise of the Placing Options and the Pro Rata Rights Issue Offer Options may provide further funding.

#### b. Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Metminco at the end of the reporting period. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 11 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Consolidated Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### c. Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the profit and loss. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Acquisitions of non-controlling interests in a subsidiary are accounted for as an equity transaction. The carrying amount of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the parent.

All transaction costs incurred in relation to the business combination are expensed to the profit and loss.

#### d. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit and loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

#### e. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

##### *Plant and equipment*

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of property and plant constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

##### *Depreciation*

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Land	Nil
Plant and equipment	20% to 33% straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

#### f. Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit and loss in the year in which the decision to abandon the area is made.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

#### g. Leases

Leases of assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the period of the lease.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

#### h. Financial Instruments

##### *Recognition and initial measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

##### **Classification and subsequent measurement**

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as:

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortisation of the difference between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- d. less, for financial assets any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

##### *i. Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

*ii. Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

*iii. Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

*iv. Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.)

*v. Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

### Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss.

### De-recognition

Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

#### **i. Impairment of Non-Financial Assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.



## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

#### j. Investments in Associates

Associate companies are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the company. Investments in associates are accounted for in the financial statements by applying the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the relation to the Group's investment in the associate.

When the reporting dates of the Group and the associate are different, the associate prepares, for the Group's use, financial statements as of the same date as the financial statements of the Group with adjustments being made for the effects of significant transactions or events that occur between that date and the date of the investor's financial statements.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume the recognition of its share of those profits once its share of the profits equals the share of the losses not recognised.

#### k. Interests in 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 arrangement. Where the Group's activities are conducted through a joint venture, the Group recognises its interests in the joint venture using the equity method.

Under the equity method, the investment in the joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Group'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.

The profit or loss reflects the Group's share of the results of operations of the joint venture. Where there has been a change recognised directly in other comprehensive income or equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of profit or loss and other comprehensive income or in the statement of changes in equity, as appropriate. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The share of the joint venture's net profit/(loss) is shown on the face of profit or loss. This is the profit/(loss) attributable to venturers in the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the venturer. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

#### l. Foreign Currency Transactions and Balances

##### *Functional and presentation currency*

The consolidated financial statements are presented in Australian dollars (AUD), which is also the functional currency of the parent company.

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

#### *Foreign operations*

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the AUD are translated into AUD upon consolidation. The functional currency of the entities in the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into AUD at the closing rate at the reporting date. Fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into AUD at the closing rate. Income and expenses have been translated into AUD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

#### **m. Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

#### **n. Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### **o. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of one month or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

#### **p. Revenue and Other Income**

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

#### **q. Equity settled compensation**

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Binomial pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where equity is used to pay service providers the Group measures the goods or services received and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

#### **r. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### s. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

#### t. Key estimates

##### i. Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. These assumptions are disclosed in each of the notes to the financial report where applicable.

##### ii. Exploration and Evaluation Expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted and capitalised expenditure is being carried forward by the Group, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$193,531,440 (see Note 13).

##### iii. Valuation methodology used in calculation of share options

The Binomial method has been used to value shares options in respect of the optionality underlying the convertible notes, share options issued in lieu of consulting fees and share options issued to directors and employees. The Company has used a 75% - 80% volatility (based on historical volatility), the share price on the applicable date (being either the date of issue or the balance date) and an option life based on the Company's best estimate of the expected exercise patterns which may not eventuate in the future.

#### u. Significant management judgment in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

##### Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

##### Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

#### v. Changes in accounting policies

A number of new and revised standards are effective to annual periods beginning on or after 1 January 2014. Information on these new standards is presented below.

##### AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

The Standard amends AASB 124 *Related Party Disclosures* to remove the individual Key Management Personnel ('KMP') disclosures required by Australian specific paragraphs.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This amendment reflects the AASB's view that these disclosures are more in the nature of governance disclosures that are better dealt with the legislation, rather than by the accounting standards.

In mid-2013, the Australian government passed *Corporations and Related Legislation Amendment Regulation 2013 (No.1)* and *Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1)* to insert these disclosures, with minor changes, into Corporations Regulations 2001. These disclosures are required to be included in remuneration reports for financial years commencing on or after 1 July 2013.

As a result of these amendments, the Group has transferred certain individual Key Management Personnel disclosures relating to shareholdings, options / rights holdings, loans and other transactions from the notes to the financial statements to the remuneration report.

#### **AASB 2013-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities**

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. AASB 2012-3 is applicable to annual reporting periods beginning on or after 1 January 2014.

The adoption of these amendments has not had a material impact on the Group as the amendments merely clarify the existing requirements in AASB 132.

#### **AASB 12 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets**

These narrow scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When developing IFRS 13 *Fair Value Measurement*, the IASB decided to amend *IAS36 Impairment of Assets* to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

AASB 2013-3 makes the equivalent amendments to AASB 136 *Impairment of Assets* and is applicable to annual reporting periods beginning on or after 1 January 2014.

The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

#### **w. Operating segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The operating segments are disclosed in Note 20.

#### **x. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities, with these requirements improving and simplifying the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.

#### AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.

When these amendments are first adopted for the year ending 31 December 2015, there will be no material impact on the entity.

#### AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality)

Part C of AASB 2014-1 makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 Materiality, which historically has been referenced in each Australian Accounting Standard.

When these amendments are first adopted for the year ending 31 December 2015, there will be no material impact on the entity.

#### AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e., a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:

- i. the intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or
- ii. when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated

When these amendments are first adopted for the year ending 31 December 2016, there will be no material impact on the entity.

**NOTES TO THE FINANCIAL STATEMENTS****CONSOLIDATED**

	31 DECEMBER 2014	31 DECEMBER 2013
	\$	\$

**NOTE 2: REVENUE**

Interest received – other persons	10,135	89,019
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**NOTE 3: LOSS FOR THE YEAR**

This loss for the year is stated after:

Expenses from continuing operations:

Other expenses	(304,619)	(169,814)
Employee and directors' benefits expense	(1,453,160)	(2,503,876)
Depreciation and amortisation expense	(233,448)	(307,036)
Exploration and evaluation expenditure impaired	(7,204,568)	(31,933,723)

**NOTE 4: INCOME TAX EXPENSE**

The prima facie tax on loss before income tax is reconciled to the income tax as follows:

Loss before tax	12,922,938	36,072,303
Total income tax benefit calculated at 30% for Australia and Peru and at 35% for Chile (2013: 30% for Australia and Peru and 35% for Chile)	(3,930,732)	(11,139,961)
Tax effect of:		
– Foreign exchange losses/(gains)	205,730	(199,445)
– Exploration impaired	2,161,370	8,172,388
– Allowable capital raising deductions	(552,901)	(545,396)
– Options issued	16,406	3,920
– Provisions	8,808	(23,420)
– Accruals	(8,667)	(102,062)
Tax rate change in Chile	–	56,589
	<b>(2,099,985)</b>	<b>(3,777,387)</b>
Deferred tax asset not brought to account	2,099,985	3,777,387
Income tax expense	–	–
Applicable weighted average effective tax rate	0%	0%
Deferred tax asset not taken to account		
Tax losses carried forward:		
– Revenue losses	12,857,315	10,757,189
– Temporary differences	(152,547)	(152,406)
	<b>12,704,768</b>	<b>10,604,783</b>

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not yet considered probable that future taxable income will be available to utilise them. The Group does not have any capital losses.

**NOTES TO THE FINANCIAL STATEMENTS****NOTE 5: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)**

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 31 December 2014.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	<b>CONSOLIDATED</b>	
	<b>31 DECEMBER 2014</b>	<b>31 DECEMBER 2013</b>
	<b>\$</b>	<b>\$</b>
Short term employee benefits	1,839,911	2,098,807
Post-employment benefits	124,167	56,385
Termination benefits	–	–
Share based payments	–	–
<b>Total</b>	<b>1,964,078</b>	<b>2,155,192</b>

*KMP Options and Rights Holdings*

Refer to the Remuneration Report contained in the Directors' Report for details of the number of options over ordinary shares held by each KMP of the Group for the year ended 31 December 2014.

*Other KMP Transactions*

For details of other transactions with KMP refer to Note 23 Related Party Transactions.

**NOTE 6: AUDITORS' REMUNERATION**

Audit services provided by Grant Thornton:

Parent	97,125	93,555
Subsidiaries		
Minera Hampton Chile Limitada and Minera Hampton Peru SAC	20,193	31,920
	<b>117,318</b>	<b>125,475</b>
Non audit services	–	–
	<b>117,318</b>	<b>125,475</b>

**NOTE 7: LOSS PER SHARE***a. Reconciliation of earnings to loss*

<i>Loss</i>	(12,922,938)	(36,072,302)
<i>Loss attributable to minority equity interest</i>	–	–
<i>Loss used in the calculation of basic and dilutive EPS</i>	<b>(12,922,938)</b>	<b>(36,072,302)</b>

**NOTES TO THE FINANCIAL STATEMENTS****NOTE 7: LOSS PER SHARE (continued)**

	<b>CONSOLIDATED</b>	
	<b>31 DECEMBER 2014</b>	<b>31 DECEMBER 2013</b>
	<b>NO.</b>	<b>NO.</b>
b. <i>Weighted average number of ordinary shares outstanding during the full year used in calculating basic EPS</i>	1,770,662,037	1,749,543,023
<i>Weighted average number of dilutive options outstanding</i>	–	–
c. <i>Anti-dilutive options on issue not used in dilutive EPS calculation</i>	9,500,000	9,500,000

**NOTE 8: CASH AND CASH EQUIVALENTS**

	<b>CONSOLIDATED</b>	
	<b>31 DECEMBER 2014</b>	<b>31 DECEMBER 2013</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	1,192,693	7,807,995
	<b>1,192,693</b>	<b>7,807,995</b>

**NOTE 9: TRADE AND OTHER RECEIVABLES****CURRENT**

Other receivables	160,879	157,258
IGV receivables *1	155,592	421,927
Total current trade and other receivables	<b>316,471</b>	<b>579,185</b>

**NON-CURRENT**

VAT receivables *2	4,878,723	4,935,546
Total non-current trade and other receivables	<b>4,878,723</b>	<b>4,935,546</b>

\*1 VAT receivables – current is IGV (Peruvian equivalent of VAT) incurred by Hampton Peru relating to the Los Calatos Project for the current period. Hampton Peru has been approved by the Peruvian Mining Department to recover IGV paid on direct expenditure relating to the Los Calatos Project incurred until 31 December 2015. Hampton Peru has recovered in full all IGV paid with respect to the Los Calatos Project until 31 December 2013 (NB the A\$ value of Peruvian VAT is subject to the movement in the foreign exchange rate).

\*2 VAT receivables – non-current is IGV and IVA (Chilean equivalent of VAT) incurred by Hampton Peru and Hampton Chile which is recoverable against VAT received from sales and/or exports in the respective tax jurisdictions.

**NOTE 10: OTHER ASSETS****CURRENT**

Prepayments	30,990	33,697
Total current other assets	<b>30,990</b>	<b>33,697</b>



**NOTES TO THE FINANCIAL STATEMENTS****NOTE 11: CONTROLLED ENTITIES**

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED	
		31 DECEMBER 2014 %	31 DECEMBER 2013 %
<b>Controlled Entities consolidated</b>			
<b>Subsidiaries of Metminco Limited:</b>			
Hampton Mining Limited	Australia	100	100
North Hill Holdings Group Inc	British Virgin Islands	100	100
<b>Wholly owned subsidiaries of North Hill Holdings Group Inc:</b>			
Cerro Norte Mining Inc	British Virgin Islands	100	100
North Hill Ovalle Inc	British Virgin Islands	100	100
North Hill Peru Inc	British Virgin Islands	100	100
North Hill Colombia Inc	British Virgin Islands	100	100
Minera Hampton Peru SAC	Peru	100	100
Minera Hampton Chile Limitada	Chile	100	100
Minera Hampton Colombia SAS	Colombia	100	100
<b>Other Entities:</b>			
SCM San Lorenzo*	Chile	0	50

\* The Company disposed of SCM San Lorenzo during 2014 for nil consideration and nil loss as it was carried at nil value as at 31 December 2013. As at 31 December 2013 the Company wrote off \$3,283,715.

**NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

	CONSOLIDATED	
	31 DECEMBER 2014 \$	31 DECEMBER 2013 \$
<b>Land</b>		
At cost	3,464,309	3,184,369
Total land	<b>3,464,309</b>	<b>3,184,369</b>
<b>Plant and equipment</b>		
At cost	2,035,184	1,886,311
Accumulated depreciation	(1,375,358)	(972,083)
Total plant and equipment	<b>659,826</b>	<b>914,228</b>
Total property, plant and equipment	<b>4,124,135</b>	<b>4,098,597</b>

**Reconciliations**

Reconciliation of the carrying amounts for each class of property, plant and equipment are set out below:

<b>Land</b>		
Carrying amount at beginning of year	3,184,369	2,724,414
Impact of foreign exchange movement	279,940	459,955
Carrying amount of land at end of year	<b>3,464,309</b>	<b>3,184,369</b>

**NOTES TO THE FINANCIAL STATEMENTS****NOTE 12: PROPERTY, PLANT AND EQUIPMENT (continued)**

	<b>CONSOLIDATED</b>	
	<b>31 DECEMBER 2014 \$</b>	<b>31 DECEMBER 2013 \$</b>
<b>Plant and equipment</b>		
Carrying amount at beginning of year	914,228	1,016,028
Additions	13,553	46,863
Impact of foreign exchange movement	(34,507)	195,264
Sale of Assets	–	(36,891)
Depreciation	(233,448)	(307,036)
Carrying amount of plant and equipment at end of year	<b>659,826</b>	<b>914,228</b>
Carrying amount at end of year	<b>4,124,135</b>	<b>4,098,597</b>

No assets are held as security for any liabilities.

**NOTE 13: EXPLORATION AND EVALUATION EXPENDITURE**

Costs carried forward in respect of areas of interest in:

– exploration and evaluation phases at the end of the year	193,531,440	192,301,260
Reconciliations		
Carrying amount at the beginning of the year	192,301,260	205,359,513
Expenditure incurred during the year	2,915,272	5,908,205
Impact of foreign exchange	5,519,476	9,683,550
Exploration impaired *1	(7,204,568)	(28,650,008)
Carrying amount at the end of the year	<b>193,531,440</b>	<b>192,301,260</b>

\* 1 During the year ended 31 Dec 2014 the Company undertook a review of its operations and determined to restructure its operations focusing on the Company's advanced projects, namely the Los Calatos and Mollacas projects. Following an assessment of expenditure priorities the Company has determined not to undertake any significant work on its Vallecillo and Loica projects in the forthcoming year. In accordance with AASB6 the Company has recorded a write down in the carrying value of its exploration projects as at 31 Dec 2014 by \$7,204,568. The write down relates to the Vallecillo Project (\$5,101,672), Loica Project (\$2,051,837), Isidro Project (\$22,926) and other projects (\$28,133).

Recoverability of the carrying amount of exploration assets is dependent upon the successful recovery of mineral reserves. Capitalised costs amounting to \$2,915,272 (for the period ended 31 December 2013: \$5,908,205) have been included in cash flows from investing activities.

**NOTE 14: TRADE AND OTHER PAYABLES**

Trade payables	142,053	217,568
Other payables and accrued expenses	330,652	360,675
	<b>472,705</b>	<b>578,243</b>

**NOTES TO THE FINANCIAL STATEMENTS****NOTE 15: PROVISIONS**

	<b>CONSOLIDATED</b>	
	<b>31 DECEMBER 2014</b>	<b>31 DECEMBER 2013</b>
	<b>\$</b>	<b>\$</b>
	SHORT-TERM EMPLOYEE BENEFITS	
<b>Consolidated Group</b>		
Balance at the beginning of the reporting period	280,044	345,394
Additional Provisions / (Provisions utilised)	28,844	(65,350)
<b>Balance at the end of the reporting period</b>	<b>308,888</b>	<b>280,044</b>
	LONG-TERM EMPLOYEE BENEFITS	
Balance at the beginning of the reporting period	-	-
Additional Provisions	47,224	-
<b>Balance at the end of the reporting period</b>	<b>47,224</b>	-

**NOTE 16: ISSUED CAPITAL**

1,855,516,023 (31 December 2013: 1,749,543,023) fully paid ordinary shares	<b>\$ 318,677,036</b>	<b>\$ 317,607,678</b>
<b>a. Movements in ordinary share capital (No. Shares)</b>	<b>No. Shares</b>	<b>No. Shares</b>
Balance at beginning of the reporting period	<b>1,749,543,023</b>	<b>1,749,543,023</b>
<i>Shares issued</i>		
- 5-Aug-14	12,786,097	-
- 29-Aug-14	15,689,942	-
- 1-Oct-14	18,362,480	-
- 6-Nov-14	26,233,318	-
- 8-Dec-14	32,901,163	-
<b>At the end of the reporting period</b>	<b>1,855,516,023</b>	<b>1,749,543,023</b>
<b>b. Movements in ordinary share capital (\$)</b>	<b>\$</b>	<b>\$</b>
Balance at beginning of the reporting period	<b>317,607,678</b>	<b>317,607,678</b>
<i>Shares issued</i>		
- 5-Aug-14	265,957	-
- 29-Aug-14	268,298	-
- 1-Oct-14	284,343	-
- 6-Nov-14	286,599	-
- 8-Dec-14	296,933	-
Costs of capital raising	(332,772)	-
<b>At the end of the reporting period</b>	<b>318,677,036</b>	<b>317,607,678</b>

On 5 August 2014 the Company issued 12,786,097 shares at A\$0.0208 to Bergen Global Opportunity Fund to raise A\$265,957 as a commencement fee for its share purchase and convertible securities agreement.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 16: ISSUED CAPITAL (continued)

On 29 August 2014 the Company issued 15,689,942 shares at A\$0.0171 to Bergen Global Opportunity Fund as a monthly drawdown under the terms of the funding agreement with Bergen Global Opportunity Fund to raise A\$268,298 for working capital purposes.

On 1 October 2014 the Company issued 18,362,480 shares at A\$0.015485 to Bergen Global Opportunity Fund as a monthly drawdown under the terms of the funding agreement with Bergen Global Opportunity Fund to raise A\$284,343 for working capital purposes.

On 6 November 2014 the Company issued 26,233,318 shares at A\$0.010925 to Bergen Global Opportunity Fund as a monthly drawdown under the terms of the funding agreement with Bergen Global Opportunity Fund to raise A\$286,599 for working capital purposes.

On 8 December 2014 the Company issued 32,901,163 shares at A\$0.009025 to Bergen Global Opportunity Fund as a monthly drawdown under the terms of the funding agreement with Bergen Global Opportunity Fund to raise A\$296,933 for working capital purposes.

#### c. Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business to provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's capital and debt includes ordinary share capital and cash assets respectively.

There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the Group's gearing ratio remains below 10%. The gearing ratios for the full year ended 31 December 2014 are as follows:

	Note	\$	\$
Cash and cash equivalents	8	(1,192,693)	(7,807,995)
Net debt		(1,192,693)	(7,807,995)
Total equity		<b>203,245,635</b>	<b>208,897,993</b>
Gearing ratio		–	–

### NOTE 17: OPTIONS

GRANT DATE	EXPIRY DATE	EXERCISE PRICE \$	OUTSTANDING AT 31 DECEMBER 2013	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	LAPSED DURING THE YEAR	OUTSTANDING AT 31 DECEMBER 2014
<b>31 December 2014</b>							
<b>Unlisted</b>							
5 December 2011	5 December 2014	\$0.215	2,500,000	–	–	(2,500,000)	–
5 December 2011	5 December 2014	\$0.260	2,500,000	–	–	(2,500,000)	–
15 June 2012	15 June 2015	\$0.175	2,000,000	–	–	–	2,000,000
15 June 2012	15 June 2015	\$0.210	2,000,000	–	–	–	2,000,000
28 January 2013	28 January 2016	\$0.075	250,000	–	–	–	250,000
28 January 2013	28 January 2016	\$0.089	250,000	–	–	–	250,000
1 August 2014 (*)	1 August 2017	\$0.0302	–	5,000,000	–	–	5,000,000
			<b>9,500,000</b>	<b>5,000,000</b>	<b>–</b>	<b>(5,000,000)</b>	<b>9,500,000</b>

\* On 1 August 2014 the Company issued 5,000,000 options to Bergen Opportunity Fund at an exercise price of \$0.0302 cents expiring 1 August 2017. The options represent a commencement fee and are therefore also a cost of capital raising.

The options granted during the year, which vested immediately, have been valued using the Binomial method, a share price of \$0.0233 (based on the Company's 20 day VWAP average 03 July 2014 to 30 July 2014), interest rate of 2.5%, 80% volatility, the life is 3 years which may not eventuate and assuming the options are tradeable. The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of time. The options are not transferrable, the expiry date is contingent on a number of terms and conditions set out in the Bergen Share Purchase Agreement and the holder will only realise a benefit through exercise of the options. The options have been valued at \$54,689 which has been included in the costs of capital raising shown above.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 17: OPTIONS (continued)

All outstanding options above were exercisable as at 31 December 2014.

GRANT DATE	EXPIRY DATE	EXERCISE PRICE \$	OUTSTANDING AT 31 DECEMBER 2012	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	LAPSED DURING THE YEAR	OUTSTANDING AT 31 DECEMBER 2013
<b>31 December 2013</b>							
<b>Unlisted</b>							
6 December 2010	6 December 2013	\$0.44	14,250,000	–	–	(14,250,000)	–
6 December 2010	6 December 2013	\$0.525	14,250,000	–	–	(14,250,000)	–
6 December 2010	6 December 2013	\$0.44	2,000,000	–	–	(2,000,000)	–
6 December 2010	6 December 2013	\$0.525	2,000,000	–	–	(2,000,000)	–
5 December 2011	5 December 2014	\$0.215	2,500,000	–	–	–	2,500,000
5 December 2011	5 December 2014	\$0.260	2,500,000	–	–	–	2,500,000
15 June 2012	15 June 2015	\$0.175	2,000,000	–	–	–	2,000,000
15 June 2012	15 June 2015	\$0.210	2,000,000	–	–	–	2,000,000
28 January 2013	28 January 2016	\$0.075	–	250,000	–	–	250,000
28 January 2013	28 January 2016	\$0.089	–	250,000	–	–	250,000
			<b>41,500,000</b>	<b>500,000</b>	<b>–</b>	<b>(32,500,000)</b>	<b>9,500,000</b>

### NOTE 18: CAPITAL AND LEASING COMMITMENTS

#### CONSOLIDATED

	31 December 2014 \$	31 December 2013 \$
<b>a. Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable (minimum lease payments)		
- not later than 12 months	170,943	177,919
- between 12 months and 5 years	32,364	196,503
- greater than 5 years	–	–
	<b>203,307</b>	<b>374,422</b>

The Group has non-cancellable leases over seven premises in Australia, Chile and Peru with terms ranging from 1 to 15 months. Rent is payable monthly in advance.

#### b. Exploration Tenement Licence Commitments

Mining and exploration licence fees for tenements held by the Group but not yet capitalised in the financial statements

Payable (minimum licence payments)

- not later than 12 months	251,438	337,477
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### NOTE 19: OTHER COMMITMENTS AND CONTINGENT LIABILITIES

Minera Hampton Chile Limitada (“MHC”), wholly owned subsidiary of the Company and owner of the Mollacas Project, is seeking mining access rights at the Mollacas Project through the courts and in parallel by direct negotiation with the owner of the surface titles.

MHC was granted leave to appeal to the Chilean Constitutional Tribunal (“Tribunal”) following a ruling of the Court of Appeal of the IV Region, Chile (the “Court of Appeal”). During the second half of 2014, the Tribunal heard written and verbal submissions from the parties and is anticipated to hand down a decision shortly.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 19: OTHER COMMITMENTS AND CONTINGENT LIABILITIES (continued)

The matter relates to a ruling of the Court of Appeal in March 2014 that the Company's First Easement Extension (the "First Extension"), which would have enabled the Company to engage in mining activities, was invalid. A subsequent determination by a review panel of the Supreme Court of Chile ("Supreme Court") did not grant MHC leave to appeal to the Supreme Court.

MHC has appealed the Supreme Court review panel's determination on the basis that the review panel only considered one of the arguments presented in MHC's application. Under Chilean law the review panel is required to address all arguments prior to making such a determination. Further, in making its determination, the review panel did not consider the rules of evidence followed by the Court of Appeal in accepting the land holder's assertions that a 'plantation' existed on the land in 2007 when the First Extension was lodged, and in the Court of Appeal's interpretation of the application of Civil and Mining Codes, in particular Mining Code 15. The Tribunal put a "stay order" on proceedings before the Supreme Court until the Tribunal hands down its ruling.

MHC holds title to 20 Exploitation Concessions covering the Mollacas deposit and surrounding area, and owns 179 ha of land adjacent to the proposed open pit operation, which is located on private land. The infrastructure for the mining operation will be located on Company owned land. In addition, Metminco also owns water rights to approximately 189.5 litres/sec from two canals, albeit that the estimated water usage for the mining operation will be 40 litres/sec.

### NOTE 20: REPORTING SEGMENTS

The Company's primary activity is mineral exploration in the geographic area of South America. This focus is consistent with the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily for the sole purpose of mineral exploration.

#### Basis of accounting for purposes of reporting by operating segments

##### a. Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual and half yearly financial statements of the Group.

##### b. Inter-segment transactions

There are no inter segment transactions.

##### c. Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

##### d. Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

##### e. Non-Core Reconciling Items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Derivatives
- Income tax expense
- Deferred tax assets and liabilities
- Current tax liabilities
- Head office income / expenses and related assets / liabilities

**NOTES TO THE FINANCIAL STATEMENTS****NOTE 20: REPORTING SEGMENTS (continued)***i. Segment performance*

	MINERAL EXPLORATION		NON-CORE RECONCILING ITEMS		TOTAL	
	31 DEC 2014 \$	31 DEC 2013 \$	31 DEC 2014 \$	31 DEC 2013 \$	31 DEC 2014 \$	31 DEC 2013 \$
Other Income	571	34,686	9,564	54,333	10,135	89,019
Total segment revenue	571	34,686	9,564	54,333	10,135	89,019
Total group revenue	571	34,686	9,564	54,333	10,135	89,019
Segment (loss)/profit before tax	(10,967,520)	(34,205,862)	(1,955,418)	(1,866,440)	(12,922,938)	(36,072,302)
(Loss)/profit before tax from continuing operations	(10,967,520)	(34,205,862)	(1,955,418)	(1,866,440)	(12,922,938)	(36,072,302)
Depreciation and amortisation expense included in segment result	116,042	156,134	117,406	150,902	233,448	307,036
Impairment expense included in segment results	7,204,568	31,933,723	–	–	7,204,568	31,933,723

*ii. Segment assets*

Segment assets	201,812,825	200,880,194	2,261,627	8,876,086	204,074,452	209,756,280
Segment asset increases for the period						
– capital expenditure	2,501,533	6,454,791	5,166	–	2,506,699	6,454,791
– acquisitions	–	–	–	–	–	–
	2,501,533	6,454,791	5,166	–	2,506,699	6,454,791

*iii. Segment liabilities*

Segment liabilities	265,946	323,173	562,872	535,114	828,817	858,287
<i>Reconciliation of segment liabilities to group liabilities</i>						
Total group liabilities	265,946	323,173	562,872	535,114	828,817	858,287

*iv. Revenue by geographical region*

Revenue is disclosed below, based on its location:

	31 DECEMBER 2014 \$	31 DECEMBER 2013 \$
Australia	9,564	54,333
South America	571	34,686
Total revenue / other income	10,135	89,019

*v. Assets by geographical region*

The location of segment assets by geographical location of the assets is disclosed below:

Australia	2,261,627	8,876,086
South America	201,812,825	200,880,194
Total assets	204,074,452	209,756,280

**NOTES TO THE FINANCIAL STATEMENTS****NOTE 21: NOTES TO THE STATEMENTS OF CASH FLOWS**

	<b>CONSOLIDATED</b>	
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	<b>\$</b>	<b>\$</b>
<b>a. Reconciliation of Cash</b>		
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	1,192,693	7,807,995
	<b>1,192,693</b>	<b>7,807,995</b>
<b>b. Reconciliation of Loss from ordinary activities after Income Tax to net cash used in operating activities</b>		
	<b>(12,922,938)</b>	<b>(36,072,302)</b>
Loss after income tax		
Add/(less) non-cash items:		
Depreciation and amortization	233,448	307,036
Exchange loss/ (gains)	610,083	(709,209)
Impairment of exploration properties	7,204,568	31,933,723
Expense on grant of options	-	13,066
Changes in assets and liabilities, net of the effects of purchase and disposal of Controlled Entities during the financial year:		
Decrease/(Increase) in receivables	(9,662)	149,601
Decrease/(Increase) in prepayments	2,707	19,570
Increase/ (Decrease) in payables	(40,269)	95,904
(Decrease)/ Increase in provisions	76,068	(65,350)
Net cash used in operating activities	<b>(4,845,995)</b>	<b>(4,327,962)</b>

**c. Financing and Investing Activities***Share issue*

During the full year ended 31 December 2014, 105,973,000 ordinary shares were issued. Details are set out in Note 16.

**NOTE 22: EVENTS SUBSEQUENT TO REPORTING DATE**

No matters other than as set out below have arisen in the interval between the end of the full year and the date of this report of a material or unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

A total of 179,191,151 new fully paid ordinary shares ("Shares") were placed by RFC Ambrian at a price of A\$0.006 (£0.003) each with an unlisted option to acquire an additional Share at A\$0.006 (£0.003) per Share no later than 3 calendar months after the date of issue of the option ("New Options").

The Placing comprises of two tranches with 75,335,833 Shares and attached 75,335,833 New Options issued on 20 February 2015 and, subject to shareholder approval at a General Meeting to be held on or about 24 March 2015, the Company will issue 103,855,318 Shares and 103,855,318 New Options on or about 27 March 2015.

The Company also announced that a non-renounceable pro-rata rights issue of one (1) new Share and one (1) New Option for every 3.25 Shares held by Australian, United Kingdom and New Zealand shareholders registered on the share register of Metminco on the same terms as the Placing, to raise up to A\$3 million will be made shortly

**NOTE 23: RELATED PARTIES**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

*Directors*

The names of each person holding the position of Director of Metminco Limited during the full year are:

Phillip Wing, William Howe, Timothy Read, Francisco Vergara-Irarrazaval, Stephen Tainton and Roger Higgins

Details of Key Management Personnel remuneration including deferred payments are set out in Note 5 and the Directors' report.



## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 23: RELATED PARTIES (continued)

*Transactions with related parties:*

#### a. Directors

Apart from the details disclosed in the Directors' Report, no Directors entered into a material contract with the Company or the Consolidated Group since the end of the previous financial year and, there were no material contracts involving Directors' interests existing at year end.

From 1 July 2014 onwards 10% of the monthly remuneration to directors has been voluntarily deferred. The total amounts deferred is \$70,361, and is outstanding at 31 December 2014.

*Directors' and Executive Officer's holdings of shares and options*

The aggregate interests of Directors and the Executive Officers of the reporting entity and their Director-related entities in shares and share options of entities within the Consolidated Group at year end are set out in the Directors' Report.

#### b. Subsidiaries

Advances by Metminco are in AUD and are non interest bearing with no fixed repayment terms. Total advances to the subsidiary companies during the year ended 31 December 2014 was \$3,339,716 (31 December 2013: \$4,540,776).

### NOTE 24: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, trade and other receivables and trade and other payables.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	NOTE	CONSOLIDATED	
		31 December 2014 \$	31 December 2013 \$
<b>Cash and receivables</b>			
Cash and cash equivalents	8	1,192,693	7,807,995
Trade and other receivables	9	160,879	157,258
<b>Total cash and receivables</b>		<b>1,353,572</b>	<b>7,965,253</b>
Financial liabilities			
Financial liabilities at amortised cost			
– Trade and other payables	14	472,705	578,243
<b>Total financial liabilities</b>		<b>472,705</b>	<b>578,243</b>

#### Financial Risk Management Policies

The Board of Directors is responsible for, amongst other issues, monitoring and managing financial risk exposures of the Group. The Board monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to counterparty credit risk, currency risk, financing risk and interest rate risk.

The Board's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the credit risk policies and future cash flow requirements.

#### Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and foreign currency risk.

##### a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss by the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the regular monitoring of exposures and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the Board has otherwise cleared as being financially sound.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 24: FINANCIAL RISK MANAGEMENT (continued)

#### *Credit Risk Exposures*

The maximum exposure to credit risk by class of recognised financial assets at reporting date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. However, on a geographical basis, the Group has significant credit risk exposures to South America given the substantial operations in those regions.

Trade and other receivables are neither past due nor impaired and are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 9. No impairment has been applied to trade and other receivables.

#### b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

#### *Financial Liability and Financial Asset Maturity Analysis*

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	31 Dec 2014 \$	31 Dec 2013 \$	31 Dec 2014 \$	31 Dec 2013 \$	31 Dec 2014 \$	31 Dec 2013 \$	31 Dec 2014 \$	31 Dec 2013 \$
<b>Consolidated Group</b>								
<b>Financial liabilities due for payment</b>								
Trade and other payables	472,705	578,243	–	–	–	–	472,705	578,243
Total contractual outflows	<b>472,705</b>	<b>578,243</b>	–	–	–	–	<b>472,705</b>	<b>578,243</b>
Total expected outflows	<b>472,705</b>	<b>578,243</b>	–	–	–	–	<b>472,705</b>	<b>578,243</b>
<b>Financial assets - cash flows realisable</b>								
Cash and cash equivalents	1,192,693	7,807,995	–	–	–	–	1,192,693	7,807,995
Trade, term and loans receivables	160,879	157,258	–	–	–	–	160,879	157,258
Total anticipated inflows	<b>1,353,572</b>	<b>7,965,253</b>	–	–	–	–	<b>1,353,572</b>	<b>7,965,253</b>
Net (outflow)/inflow on financial instruments	<b>880,866</b>	<b>7,387,010</b>	–	–	–	–	<b>880,867</b>	<b>7,387,010</b>

#### c. Market Risk

##### *i. Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

##### *ii. Foreign exchange risk*

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 24: FINANCIAL RISK MANAGEMENT (continued)

The Consolidated Group is exposed to interest rate and foreign exchange risk through cash assets held and financial liabilities owed as at the reporting date.

	CONSOLIDATED	
	31 December 2014 \$	31 December 2013 \$
Cash assets held in Australian dollars and subject to floating interest rate	124,028	674,409
Australian currency equivalent of cash assets held in US dollars and subject to floating interest rate	907,238	6,925,459
Australian currency equivalent of cash assets held in UK pounds and subject to floating interest rate	14,508	90,108
Australian currency equivalent of cash assets held in Peruvian soles and subject to floating interest rate	113,271	33,103
Australian currency equivalent of cash assets held in Chilean pesos and subject to floating interest rate	33,648	84,916
<b>Total cash assets</b>	<b>1,192,693</b>	<b>7,807,995</b>

	INTEREST RECEIVED	WEIGHTED AVERAGE	INTEREST RECEIVED	WEIGHTED AVERAGE
Australian dollars and subject to floating interest rate	5,295	0.12%	38,903	0.35%
Australian currency equivalent in US dollars and subject to floating interest rate	4,269	0.09%	15,715	0.14%
Australian currency equivalent in UK pounds and subject to floating interest rate	–	–	–	–
Australian currency equivalent in Peruvian soles and subject to floating interest rate	571	0.01%	30,394	0.27%
Australian currency equivalent in Chilean pesos and subject to floating interest rate	–	–	4,007	0.04%
<b>Total interest received</b>	<b>10,135</b>	<b>0.22%</b>	<b>89,019</b>	<b>0.89%</b>

#### **Sensitivity Analysis**

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and exchange rates. The table indicates how profit and equity values reported at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

#### **Interest Rate Sensitivity Analysis**

At 31 December 2014, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	CONSOLIDATED	
	31 December 2014 \$	31 December 2013 \$
<b>Change in profit</b>		
Increase in interest rate by 2%	23,854	156,160
Decrease in interest rate by 2%	(23,854)	(156,160)
<b>Change in equity</b>		
Increase in interest rate by 2%	23,854	156,160
Decrease in interest rate by 2%	(23,854)	(156,160)

**NOTES TO THE FINANCIAL STATEMENTS****NOTE 24: FINANCIAL RISK MANAGEMENT (continued)****Foreign Currency Risk Sensitivity Analysis**

	<b>CONSOLIDATED</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>\$</b>	<b>\$</b>
<b>Change in profit</b>		
Improvement in AUD to USD by 5%	(45,362)	(346,273)
Decline in AUD to USD by 5%	45,362	346,273
<b>Change in equity</b>		
Improvement in AUD to USD by 5%	(45,362)	(346,273)
Decline in AUD to USD by 5%	45,362	346,273
<b>Change in profit</b>		
Improvement in AUD to GBP by 5%	(725)	(4,505)
Decline in AUD to GBP by 5%	725	4,505
<b>Change in equity</b>		
Improvement in AUD to GBP by 5%	(725)	(4,505)
Decline in AUD to GBP by 5%	725	4,505
<b>Change in profit</b>		
Improvement in AUD to PEN by 5%	(5,664)	(1,655)
Decline in AUD to PEN by 5%	5,664	1,655
<b>Change in equity</b>		
Improvement in AUD to PEN by 5%	(5,664)	(1,655)
Decline in AUD to PEN by 5%	5,664	1,655
<b>Change in profit</b>		
Improvement in AUD to CLP by 5%	(1,682)	(4,246)
Decline in AUD to CLP by 5%	1,682	4,246
<b>Change in equity</b>		
Improvement in AUD to CLP by 5%	(1,682)	(4,246)
Decline in AUD to CLP by 5%	1,682	4,246

**Net Fair Values***Fair value estimation*

Financial assets and financial liabilities are presented at fair value or at amortised cost in the statement of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

**NOTES TO THE FINANCIAL STATEMENTS****NOTE 24: FINANCIAL RISK MANAGEMENT (continued)**

	Foot note	31 December 2014		31 December 2013	
		Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
<b>Consolidated Group</b>					
<b>Financial assets</b>					
Cash and cash equivalents	(i)	1,192,693	1,192,693	7,807,995	7,807,995
Trade and other receivables	(i)	160,879	160,879	157,258	157,258
<b>Total financial assets</b>		<b>1,353,572</b>	<b>1,353,572</b>	<b>7,965,253</b>	<b>7,965,253</b>
<b>Financial liabilities</b>					
Financial liabilities at amortised cost	(i)	472,705	472,705	578,243	578,243
<b>Total financial liabilities</b>		<b>472,705</b>	<b>472,705</b>	<b>578,243</b>	<b>578,243</b>

The fair values disclosed in the above table have been determined based on the following methodologies:

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value approximates to fair value. Trade and other payables exclude amounts provided for annual leave, which is not considered a financial instrument.

**NOTE 25: RESERVES***a. Foreign Currency Translation Reserve*

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

*b. Option Reserve*

The option reserve records items recognised as expenses on valuation of share options.

*c. Acquisition Reserve*

The acquisition reserve records items recognised on the subsequent acquisition of the Hampton minority interest.

**NOTE 26: PARENT ENTITY INFORMATION**

	31 December 2014	31 December 2013
	\$	\$
STATEMENT OF FINANCIAL POSITION		
Current assets	987,906	7,743,796
Total assets	294,852,457	295,656,067
Current liabilities	515,648	535,114
Total liabilities	515,648	535,114
Issued capital	318,677,036	317,607,677
Retained earnings	(115,678,995)	(112,144,831)
Reserves	253,594	3,435,147
	<b>203,245,635</b>	<b>208,897,993</b>

**NOTES TO THE FINANCIAL STATEMENTS****NOTE 26: PARENT ENTITY INFORMATION (continued)**

## STATEMENT OF COMPREHENSIVE INCOME

	31 December 2014 \$	31 December 2013 \$
Loss for the year	(3,534,164)	(79,201,995)
<b>Total comprehensive loss</b>	<b>(3,534,164)</b>	<b>(79,201,995)</b>

The parent entity has lease commitments of A\$144,441. The parent entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end.

**NOTE 27: COMPANY DETAILS**

Metminco Limited is a company domiciled in Australia and its principal and registered office is located at:

Level 6  
122 Walker St  
North Sydney NSW 2060  
Australia.


The Group's principal activities are exploration and development of mineral prospects primarily located in Chile and Peru, South America.

## DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 39 to 69, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards and the Corporations Regulations 2001; and
  - b. give a true and fair view of the financial position as at 31 December 2014 and of the performance for the full year ended on that date of the Consolidated group; and
  - c. comply with International Financial Reporting Standards as discussed in Note 1.
2. the Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 31 December 2014
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. the remuneration disclosures included in pages 32 to 37 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 31 December 2014, comply with Section 300A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors.



William J. Howe

Managing Director

Dated this 11th day of March 2015

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W [www.grantthornton.com.au](http://www.grantthornton.com.au)

## **Independent Auditor's Report To the Members of Metminco Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Metminco Limited (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### **Directors' responsibility for the financial report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

### **Auditor's opinion**

In our opinion:

- a the financial report of Metminco Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Material uncertainty regarding continuation as a going concern**

Without qualifying our conclusion, we draw attention to Note 1(a) to the financial statements which indicates the consolidated entity incurred a net loss of \$12,922,938, has net cash used in operations (including payments for exploration) of \$7,115,711 during the year ended 31 December 2014, and has a cash balance of \$1,992,693 as at that date. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

**Report on the remuneration report**

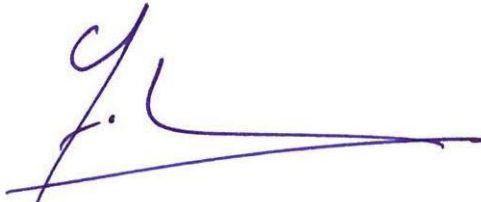
We have audited the remuneration report included in pages 32 to 37 of the directors' report for the year ended 31 December 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Metminco Limited for the year ended 31 December 2014, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



C F Farley  
Partner - Audit & Assurance

Sydney, 11 March 2015