**TABLE OF CONTENTS:**

## HIGHLIGHTS

### Los Calatos Project

- A re-evaluation of the prospectivity of the broader project area has been completed.
- Four drill ready targets have been identified within two kilometres of the Los Calatos deposit that have the potential to supplement the current Mineral Resource Estimate of 1.4 billion tonnes at 0.47% Cu and 0.022% Mo.
- Location of access corridor for planned pipeline to the coast for transportation of concentrate to the coast, and seawater to the processing plant, is close to finalisation.
- Application for right of access for pipeline to be submitted to the Peruvian authorities by the end of 2014.
- The Company continues with discussions to secure a strategic partner for the funding and development of the project.

### Mollacas Project

- Financial modelling confirms that the project is economically robust with a NPV (unlevered after tax at 8%) of US$74.9 million and a IRR (after tax) of 37.2%.
- The Company is progressing with its legal actions to overturn the Court of Appeal's negative ruling concerning mining access over surface titles held by a private land holder.
- Positive declaration from the Chilean Constitutional Tribunal on 7 August 2014, dismissing the defences of the surface title holder, declares the Company's appeal against the Court of Appeal interpretation of Mining and Civil Codes to be admissible.
- Further work on the Mollacas Feasibility Study and EIS has been deferred pending the conclusion of the mining access rights.

### Corporate

- Cash position as at 30 June 2014 was approximately A$3.4 million (US$3.2 million).
- Bergen Global Opportunity Fund provides a short term bridging funding facility of a minimum of US$250,000 up to US$2 million (subject to certain conditions) per month over a 24 month period. Company can terminate the facility at any time at no cost.
- Company actively evaluating acquisition of a near term cash generating project.

### Executive Commentary

Mr William Howe, Managing Director, commented:

*"The positive outcome of the Mollacas metallurgical testwork and revised financial modelling are significant developments for the Company.*

*The decision by the Constitutional Tribunal to declare that the Company's appeal is admissible is good news. We remain confident of a successful outcome of the legal proceedings at which time we will continue with the planned development of the Mollacas Project.*

*Further, the identification of four near surface drill ready targets within two kilometres of the existing Los Calatos deposit confirms the prospectivity of the larger tenement holding and could have a positive influence on the broader economics of the Los Calatos open pit.*

*With the conclusion of the funding agreement with Bergen, we now have financial security and a guaranteed access to finance for the next 24 months. This allows us to actively work towards achieving our strategic objective of acquiring a project with a near term cash flow, as well as advancing our existing projects, while at the same time minimising shareholder dilution."*

## DIRECTORS' REPORT

The Directors present their report, together with the financial statements of the consolidated group, being Metminco Limited (Metminco or the Company) and its controlled entities (Consolidated Group or Metminco Group), for the half year ended 30 June 2014, as well as the Independent Review Report.

## DIRECTORS

The following persons held the office of director during and since the half year ended 30 June 2014.

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

## COMPANY SECRETARY

Philip Killen was the Company Secretary for the half year ended 30 June 2014 and was in office at the date of this report.

## OPERATING RESULTS

The loss of the Consolidated Group for the half year ended 30 June 2014 was $3,252,338 (2013 loss $33,697,092) after providing for income tax.

## REVIEW OF OPERATIONS

Metminco, through its wholly owned subsidiaries Minera Hampton Chile Limitada (Hampton Chile) and Minera Hampton Peru SAC (Hampton Peru), owns a portfolio of base and precious metal projects located within well-constrained metallogenic belts that occur within the Andean Cordillera in Chile and Peru (Figure 1).

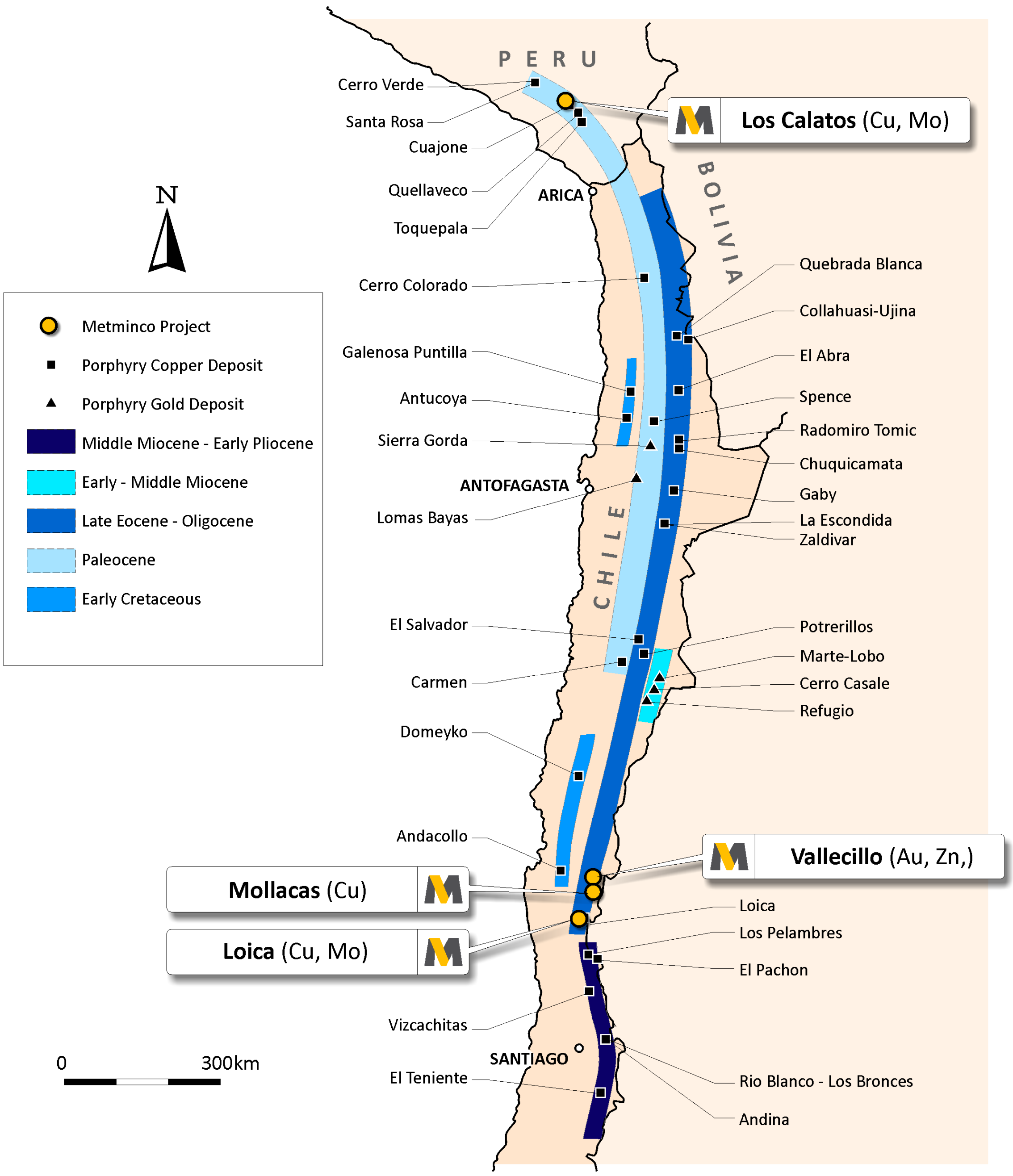
During the first half of 2014 the Company focused its activities on its two core projects, namely the Los Calatos copper-molybdenum project in Peru, and the Mollacas copper leach project in Chile. No significant work was undertaken at the Loica and Vallecillo projects, and the Company relinquished its interest in the Isidro and Camaron projects.

The Company has recently re-evaluated the prospectivity of the broader project area at the Los Calatos Project, which resulted in the definition and refinement of several exploration targets which have the potential to enhance the current Mineral Resource Estimate for the main Los Calatos deposit, and project economics.

At the Mollacas Project, the original Scoping Study of 2008 was updated to incorporate the results of the recent metallurgical testwork, the pit optimisation study completed by the Company late 2013, as well as the updated mining and processing costs. Capital estimates were updated and adjusted for the revised production profile. On 19 March 2014 the Company announced the results of the updated Scoping Study which confirmed Mollacas to be a low cost (C1 Cash Cost of US$1.23/lb) mining operation, with a low development capital requirement (US$47 million), producing up to 8,000 tonnes of copper cathode per annum over 7 years, and a unlevered IRR of 37% (after tax).

DIRECTORS' REPORT (Cont'd)

**Figure 1: Locality of Metminco Projects.**




## LOS CALATOS PROJECT

The Los Calatos Project, which covers an area of 285 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. The Los Calatos Project is located near, and in a similar geological setting to, three large operating copper-molybdenum mines, namely Cuajone, Toquepala and Cerro Verde (Figure 2).

DIRECTORS' REPORT (Cont'd)

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


The total Mineral Resource Estimate, which was undertaken by SRK Consulting (Chile) S.A. ("SRK"), inclusive of Inferred Mineral Resources, is summarised in Table 1 below.

**Table 1: Total Mineral Resource – Preferred Mining Scenario.**

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

*Note:*
*i) Modified after SRK's Mineral Resource Estimate of February 2013.*
*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.*

In August 2013 Runge Pincock Minarco ("RPM") completed a Mining Scoping Study on the project, which concluded that the Preferred Mining Scenario comprises a combination of an open pit operation with a life of 14-years and an underground block cave operation with a life of 20-years, during which 811 million tonnes of mineralised material are mined, as summarised in Table 2. The average mining and processing rate for the envisaged operation is 23.9 Mtpa, producing 98.4 Mt of copper in concentrate per annum at an average cost of US$1.12/lb (inclusive of by-product credits).

DIRECTORS' REPORT (Cont'd)

**Table 2: Total Tonnes Mined – RPM August 2014.**

| Mining Operation | Tonnes (millions) | Cu (%) | Mo (%) |
|---|---|---|---|
| Open Pit | 362 | 0.37 | 0.023 |
| Underground Block Cave | 449 | 0.56 | 0.035 |
| **Total** | **811** | **0.47** | **0.029** |

**Pipeline Access Corridor**

The location of the Access Corridor for the pipeline and associated infrastructure to the coast, which will extend over a distance of some 73km, is close to finalisation. The dual pipeline will serve to transport seawater to the Los Calatos site, and to transport concentrate as a slurry to a filtration plant located at the coast.

The Company plans to submit an application to the government during the second half of 2014 for the grant of a Right of Access (Servidumbre) that covers the extent of the Access Corridor. Currently there is no competing land usage along the length of the preferred pipeline route.

**Prospectivity – Satellite targets**

During the half year ended 30 June 2014 the Company re-evaluated the prospectivity of the broader project area, which has resulted in the definition and refinement of several exploration targets. These targets have been classified into those targets which are drill-ready, and those which require further exploration to better constrain the targets for follow-up drill testing.

The dataset evaluated, which comprises multi-element soil and rock-chip geochemistry, ground-based geophysical surveys (magnetics, direct current resistivity, induced polarization and magnetotelluric surveys), satellite imagery and geological mapping, was compiled and analysed by senior geologists experienced in the application of these methods to detect porphyry and porphyry-related economic mineral deposits.

Four drill-ready targets have been identified, all of which are located within two kilometres of the known extent of the Los Calatos deposit. While these targets all have smaller surface expressions than the 2.5km x 1km footprint developed over the Los Calatos deposit, their tenor of mineralisation and size potential at depth can only be assessed by surface drilling.

In addition to the aforementioned targets, four additional areas were identified which require further exploration work (geochemical sampling, geophysical surveys and geological mapping) in order to better define the extent of these targets prior to drill testing. These areas are located further away (up to 7km) from the existing Los Calatos deposit but, importantly, lie along the same northwest-southeast trending corridor which is known to control the main elements comprising the porphyry complex at Los Calatos.

**Exclusive Reservation of Freehold Rights – Project of National Interest (PNI)**

Following the submission of an application for the exclusive reservation of land which falls within the PNI for its eventual purchase in October 2013, the Company has received confirmation that the Ministerio de Energia y Minas ("MINEM") will approve the reserve status over the area in question. This follows a technical evaluation of the Company's application by the Superintendencia Nacional de Bienes Estatales ("SBN"). Final notification from MINEM is expected shortly.

**Way Forward**

The Los Calatos Project is highly deliverable, with the designated status of a 'Project of National Interest' by the Peruvian government that enables Hampton Peru (a 100% held subsidiary of Metminco) to acquire surface title for the planned mining infrastructure by direct purchase from the State. In addition, there is no competing land use, seawater is planned to be used for metallurgical processing purposes, and power costs are low by comparison to similar operations in Chile.

Work continues on the project on a low cost basis, which will continue to be the case until such time as funding is secured.

The Company continues with its endeavours to secure a strategic partner for funding the future development of the project.

## MOLLACAS PROJECT

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 and 160 kilometres by road from the port of La Serena. The project is accessible via the existing road network and is in close proximity to established infrastructure.

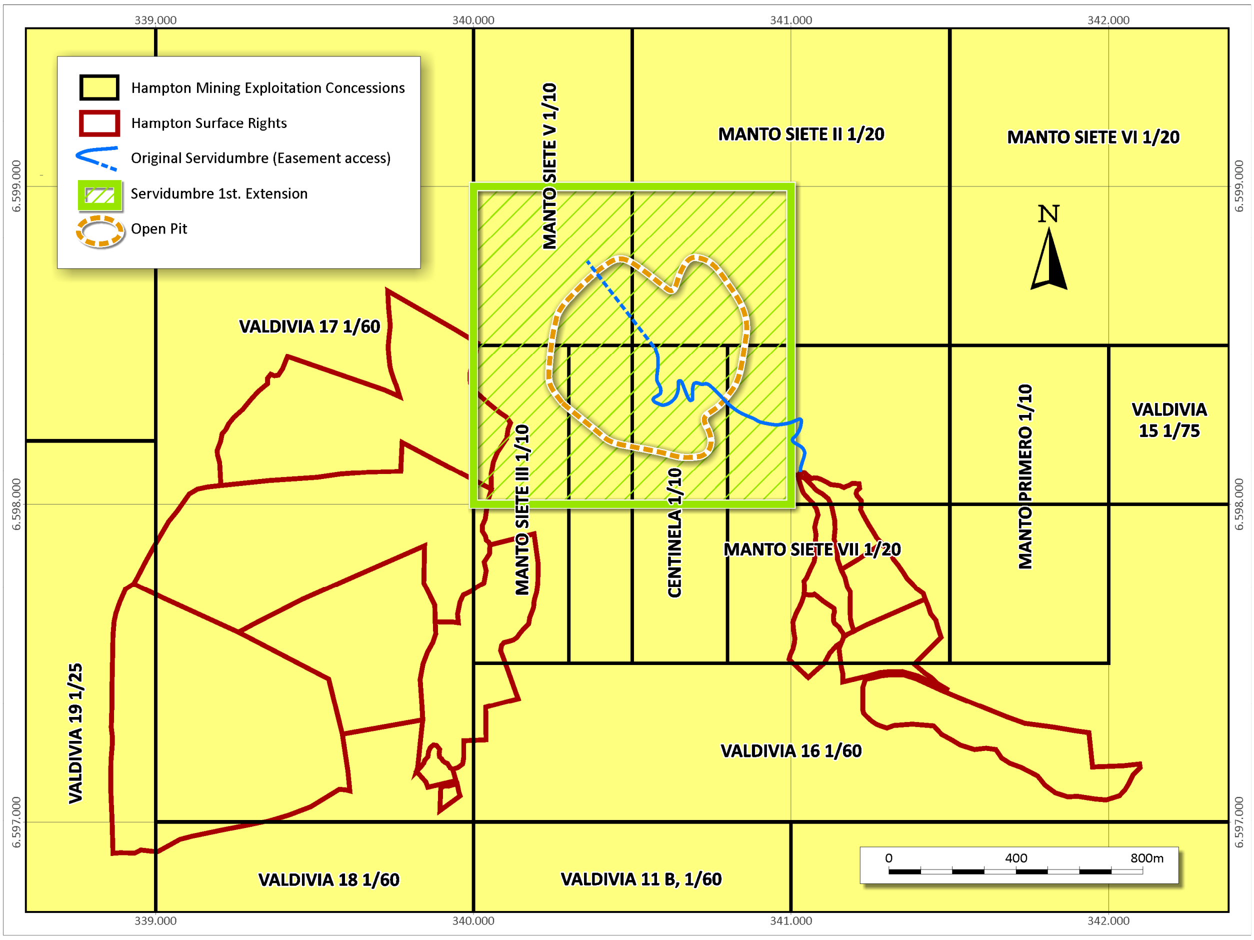
Late March 2014, the Company updated the original Scoping Study of 2008 to incorporate the results of the pit optimisation study completed by the Company in 2013, as well as the updated mining and processing costs, which provide for contract mining and the results of the recent metallurgical testwork. Capital cost estimates were adjusted for the revised production profile.

The updated Scoping Study confirmed that the project has a life of mine of 7 years producing up to 8,000 tonnes of copper cathode per annum at an average cost of US$1.23/lb. Furthermore, the economics of the project is robust with a NPV (after tax unlevered) of US$74.9 million, and a IRR (after tax unlevered) of 37.2%.

The planned Feasibility Study has been delayed pending the resolution of a legal dispute relating to mining access to the surface title on which the Mollacas deposit is located (Figure 3). The Company holds title to 20 Exploitation Licences covering the Mollacas deposit and surrounding area, as well as 179 ha of surface rights adjacent to the proposed open pit operation (Figure 3) but does not hold the surface rights over the Mollacas deposit.

The mine infrastructure will be located on Company owned land including the leach pads, processing plant, administration facilities and mine workshops. Metminco also owns water rights to approximately 175 litres/sec from two canals which traverse the properties. The estimated water usage for the mining operation will be 40 litres/sec.

**Figure 3: Mollacas Project - Mineral and surface rights held by Metminco.**



**Pit Optimisation Study**

The pit optimisation study completed by the Company in 2013 has been based on the most recent Mineral Resource Estimate completed by SRK Consulting, Chile (Table 3), as well as the input parameters summarised in Table 4.

**Table 3: Mineral Resource Statement for the Oxide and Secondary Mineralisation for Las Mollacas Copper Project, Ovalle, Chile, SRK Consulting (Chile) S.A., July 06, 2012.**

| Category | Tonnes (million) | CuT (%) | CuSol (%) |
|---|---|---|---|
| Measured | 11.2 | 0.55 | 0.44 |
| Indicated | 4.3 | 0.41 | 0.29 |
| **Total Measured and Indicated** | 15.5 | 0.51 | 0.40 |

*Note: Reported at a 0.2% Cu cut-off.*

**Table 4: Modelling Parameters - Pit Optimisation Study (2013) and Revised Financial Model (2014).**

| Description | Factor | |
|---|---|---|
| | Pit Optimisation (2013) | Financial Model (2014)* |
| Mining Cost (material mined) | US$2.04/t | US$1.90/t |
| Processing Cost (ore processed) | US$7.70/t | US$5.20/t |
| G&A Cost (ore processed) | US$0.50/t | US$0.50/t |
| Selling Cost (cathode) | US$52.90/t | US$105.29/t |
| Copper Price | US$2.71/lb | US$3.10/lb |

** Includes updated mining and processing costs based on work completed in Q1 2014.*

The pit optimisation resulted in a provisional production profile comprising 14.5 million tonnes at 0.52% CuT (0.42% CuSol) over the life of the pit, with an in-situ soluble copper content of 60,753 tonnes.

As the pit optimisation study did not provide for the latest copper recovery rates, as well as the updated mining and processing costs, further optimisation work will be conducted as part of the planned Feasibility Study. This work will result in the definition of a Mineral Reserve Estimate in accordance with the JORC Code (2012 Edition).

**Metallurgy**

The primary leach design parameters resulting from the recent metallurgical testwork have been incorporated into an updated Life of Mine production schedule. When compared to the original Scoping Study, it is clear that the reduction in acid consumption rates per tonne of ore leached derived from the testwork has more than offset the higher prevailing acid price and increase in power costs in Chile. The primary leach design parameters resulting from the recently completed metallurgical testwork are:

- Ore crush size: P80 12 mm to 16 mm
- Agglomeration acid addition: 10 kg/t (may be reduced after further testing)
- Stacked ore depth: 6 metres
- Stacked dry-bulk density (maximum): 1.7 t/m³
- A two-stage leach:
    - i) 90-day Primary Leach Stage @ 5 L/hm² at 6 g/L $H_2SO_4$
    - ii) 210-day Secondary Leach Stage @ 2.5 L/hm² at 3 g/L $H_2SO_4$

- Solution Management Scheme: The staged leach and acid concentration values can be met with a series/parallel SX configuration, where the Primary Leach PLS feeds the two in series SX extraction stages, and the Secondary Leach PLS feeds the parallel extraction stage

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

**Life of Mine Financial Model**

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. Table 2 above lists the operating costs used in the revised financial model.

Total capital costs for the Life of Mine, including sustaining capital and an allowance for the purchase of further surface title, is estimated to be US$52.3 million.

The results of the Life of Mine Financial Model are summarised in Table 5 below, and support the robust nature of the economics for the Project, and hence the decision to progress with the development of the Project.

**Table 5: Summary of results from Life of Mine Financial Model**.

| **Physicals** | **Units** | **Parameter** |
|---|---|---|
| Mining Rate | (tpd)[1] | 6,108 |
| Crushing Rate (max throughput) | (000 tpa) | 2,500 |
| Tonnes leached | (000's t) | 14,500 |
| Average CuSol Grade | (%) | 0.42% |
| Payable Cu | (tonnes) | 51,765 |
| Life of Mine | (years) | 7.00 |
| Time to Production | (years) | 2.50 |
| **Financials** | | |
| 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$/lb Cu) | 1.23 |
| Operating Cost | US$/tonne crushed | 9.68 |
| Government Royalties | | n/a |
| **Project Economics (ungeared)** | | |
| Project NPV (After-Tax*1) at 8.0% | (US$ 000) | 74,921 |
| IRR (After-Tax) | % | 37.2% |
| Payback | Years | 2.44 |
| **Project Economics (geared)** | | |
| Interest Rate (US Libor + 4.5%pa) | % | 6.3% |
| Gearing Ratio (Debt /Equity) | Ratio | 70%:30% |
| NPV (After-Tax[2]) at 8.0% | (US$ 000) | 74,416 |
| IRR (After-Tax) | % | 41% |
| **Copper Price** | | |
| Average Copper Price | (US$/lb) | 3.10 |

*Note:*
*i) Tonnes delivered to leach pad.*
*ii) Effective tax rate of 20% assumes profits are not repatriated.*

## DIRECTORS' REPORT (Cont'd)

### Right of Access

The Company is pursuing legal action to overturn a ruling by the Court of Appeal of the IV Region, Chile (the "Court of Appeal"), announced on 28 March 2014, that the Company's First Easement Extension (the "First Extension") over surface titles held by the land holder, which would have enabled the Company to engage in mining activities at Mollacas, was invalid.

In early July 2014 Hampton Chile appealed to the Chilean Constitutional Tribunal ("Tribunal") on the grounds that the Court of Appeal incorrectly interpreted various Civil and Mining Codes in making its ruling. On 6 August 2014 the Chilean Constitutional Tribunal ("Tribunal") dismissed the defences of the surface title holder and determined to hear the matter.

Should the Tribunal rule in favour of Hampton Chile, then, among other matters, the Chilean courts will not be able to rely on the Court of Appeal's interpretation of Civil and Mining Codes, in particular Mining Code 15 on which the Court of Appeal relied when it determined that the extension of an easement to permit mining activities cannot be granted without the surface title holder's permission should a 'plantation' exist in the specified area.

Hampton Chile is also appealing a determination by a review panel of the Supreme Court of Chile not to allow Hampton Chile to appeal to the Supreme Court announced on 1 July 2014. In making its determination the review panel of the Supreme Court considered only one of the five grounds of Hampton Chile's appeal and did not consider the rules of evidence and the interpretation of the application of Civil and Mining Codes followed by the Court of Appeal in accepting the surface title holder's assertions that a plantation existed on the land in 2007 when the First Extension was lodged. The Supreme Court proceedings will remain suspended while the Tribunal considers Hampton Chile's case.

### Way Forward

As the Original Easement remains in full force and effect, the Company is permitted to continue with its plans to progress the Feasibility Study and Environmental Impact Study at Mollacas.

However, the Company has deemed it prudent that minimal work will be conducted until such time as the matter is resolved.

Alternative approaches to resolving the dispute are being advanced by the Company. The Company remains confident that this dispute can be resolved with the subsequent resumption of work leading to the development of the project.

## OTHER PROJECTS

During the half year ended 30 June 2014, the Company undertook minimal work at its Vallecillo and Loica projects due to prioritisation of funding.

Following a review of the Camaron and Isidro projects the Company decided to reliquish these projects.

## CORPORATE

### Half Year Result

The Consolidated Group reported an after tax loss for the half year ended 30 June 2014 of A$3,252,338. During the half year ended 30 June 2014, the Company focused on its two core projects, namely Los Calatos and Mollacas. The Company undertook minimal work at the Vallecillo and Loica projects and relinquished all other projects.

The loss included a write off of A$1,072,177 consisting of evaluation and due diligence expenditure (A$903,961) and exploration expenditure (A$168,216). The Company undertook evaluation and due diligence work on several potential near term cash flow opportunities. As at balance date the Company had not entered into an agreement and as such expenditure incurred was written off.

### Cash Position and Funding

Expenditure during the half year was approximately A$4.0 million, with approximately A$2.4 million having been incurred on evaluation, due diligence and exploration activities, and approximately A$1.7 million on overheads. Expenditure on the planned Mollacas Feasibility Study has been deferred pending resolution of the dispute with the Mollacas surface title holder.

Metminco's cash position as at 30 June 2014 was A$3.4 million (US$3.2 million).

DIRECTORS' REPORT (Cont'd)

**Annual General Meeting of Shareholders**

The Company's Annual General Meeting of shareholders for the year ended 31 December 2013 was held at 100 Walker Street, North Sydney NSW, 2060 on Thursday, 29 May 2014. All resolutions put before the Annual General Meeting were approved by shareholders, and the results can be found on the Company's website.

**Bergen Funding Facility**

On 31 July 2014 the Company entered into a funding agreement ("Agreement") with New York based Bergen Global Opportunity Fund, LP (the "Fund") managed by Bergen Asset Management, LLC ("Bergen").

The funding will supplement the Company's existing cash reserves and provide funds for short term working capital, including potential acquisition related costs, such as due diligence, expert reports and documentation.

Under the Agreement:

- The Fund will provide the Company with minimum funding of US$250,000 per month for up to 24 months by way of the purchase of fully paid ordinary shares in the Company ("Shares") issued at a purchase price of 95% of the average of five daily VWAPs (Volume Weighted Average Price) chosen by the Fund during a specified period immediately prior to the date of their issue ("Purchase Price");
- The Company may, at its sole discretion, drawdown within an agreed period, an unsecured interest-free Convertible Security with a face value of A$835,000 (and a purchase price of A$750,000); and
- The Company may drawdown, within an agreed period and subject to certain conditions precedent, a further unsecured interest free Convertible Security with a face value of A$835,000 (and a purchase price of A$750,000). The Convertible Securities will be convertible at the lower of (a) the applicable Purchase Price and (b) 140% of the average of the ten daily VWAPs prior to the date of execution of the Agreement, during their 24 month term.

Other benefits of the funding under the Agreement include:

- Certainty of funding: The Company may increase a monthly tranche to over US$250,000 in line with the Company's liquidity, or with the Fund's consent, up to a maximum of US$2,000,000 per month;
- Minimising Dilution: The structure of the investment allows Metminco to issue Shares at prices linked to share prices prevailing at the time of the issuance, and potentially at a premium to the share prices prevailing today, thus minimising dilution for its existing shareholders;
- Maximising Flexibility: Significantly, the Agreement does not restrict the Company from undertaking M&A transactions, entering into strategic industry partnerships, raising funds through equity and/or debt or normal operating activities without either being in breach of the Agreement or having first obtained a waiver from Bergen;
- Right to Pause and Terminate: In addition to being able to terminate the Share Purchase Plan at no cost and at any time, the Company also has the flexibility to regularly pause the monthly Share tranches. Additionally, the Company has the right not to issue shares under the Agreement if the Purchase Price is below an agreed floor price;
- Relatively Low Cost of the Funding Package and No Cost for Early Termination: Facility fees, which consist of a commitment fee of approximately US$240,000 issued in Shares on execution, and the issue of 5,000,000 36-month options to acquire Shares exercisable at 130% of the average of the daily VWAPs for the 20 trading days immediately prior to the date of the execution of the Agreement, granted to the Fund, compares favourably with costs associated with a placement of this size and debt funding;
- Funding without over-leveraging and financial covenants: The equity funding is being made available to Metminco in equity tranches, which does not result in debt on Metminco's balance sheet. There are no collateral Shares and the funding facility is not subject to any financial ratio covenants. If the Company draws down the Convertible Securities, then Bergen would be an unsecured creditor;
- Additional safeguards: Bergen has entered into various undertakings including the commitment not to short sell Shares, and has agreed to substantial limitations on its ability to sell shares purchased from the Company; and
- The terms of the Agreement do not permit shares to be issued, and there is no agreement to issue shares, if shareholder approval is first required under the ASX Listing Rules.

## DIRECTORS' REPORT (Cont'd)

Bergen's Managing Director, Eugene Tablis said "*We are glad to have partnered with the team at Metminco. We have followed the Company for a number of years and believe the sector and the Company to be at an important inflection point. We have been impressed by Metminco's management team and the potential scale of its projects and look forward to our capital assisting the team with achieving its stated objectives*."

**MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD**

Matters that have arisen in the interval between the end of the half year and the date of this report of a material or unusual nature are as follows:

- On 31 July 2014 the Company entered into a Share Purchase and Convertible Agreement with Bergen Global Opportunity Fund LP ("Bergen Facility"). Under the Bergen Facility the Company will receive between US$0.25 million (subject to the Company's share price being above A$0.01 per share) and US$2 million per month through the issue of fully paid ordinary shares in the Company ("Shares") at 95% of the five lowest VWAPs for the 20 trading days preceding each issuance date. The Company may increase the drawdown amount in any one month subject to the drawdown amount not exceeding 20% of the value traded in any one month. The Company may terminate the Bergen Facility at any time prior to 24 months at no cost.
- On 6 August 2014 the Chilean Constitutional Tribunal dismissed the defences of the surface title holder of the Mollacas deposit and declared Hampton Chile's appeal to the Tribunal, on the grounds that the Court of Appeal incorrectly interpreted various Civil and Mining Codes in making its ruling, to be admissible. The Company is seeking to overturn a ruling by the Court of Appeal of the IV Region, Chile, announced on 28 March 2014, that the Company's First Easement Extension over surface titles held by the land holder, which would have enabled the Company to engage in mining activities at the Company's wholly owned Mollacas Project, was invalid.

**PROJECTS AND MINERAL RESOURCES**

The Los Calatos Project, located in southern Peru, has an open pittable Mineral Resource of 493 million tonnes at 0.38% Cu and 0.023% Mo (at cut-off grade of 0.15% CuEq) to a vertical depth of 700 metres below surface and an underground bulk mining Mineral Resource of 926 million tonnes at 0.51% Cu and 0.022% Mo (at a cut-off grade of 0.35% CuEq) commencing at an elevation of 2,300 metres (approximately 700 metres below surface).

The Chilean assets include the Mollacas Copper Project with a Mineral Resource of 15.5 million tonnes consisting of a Measured Resource of 11.2 million tonnes at 0. 55% Cu and 0.12g/t Au and an Indicated Resource of 4.3 million tonnes at 0.41% Cu and 0.14g/t Au(at a 0.2% copper cut-off); and the Vallecillo Project with a Mineral Resource of 8.9 million tonnes consisting of a Measured Resource of 5.5 million tonnes at 0.84g/t Au, 9.99g/t Ag, 1.12% Zn and 0.32% Pb, an Indicated Resource of 2.6 million tonnes at 0.80g/t Au, 10.23g/t Ag, 0.94% Zn and 0.35% Pb and an Inferred Resource of 0.8 million tonnes at 0.50g/t Au, 8.62g/t Ag, 0.48% Zn and 0.17% Pb (at a cut-off grade of 0.2g/t Au).

The Company also has a number of early stage exploration projects where initial exploration activities have identified anomalous copper, molybdenum and gold values.

**Competent Persons Statement**

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 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 announcement, 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. Copper and molybdenum grades were estimated into a block model using ordinary kriging with GEMCOM software.

The information provided in this ASX Release 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 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 announcement, and have approved of the inclusion of the information attributed to them in the form and context in which it appears herein.

**RungePincockMinarco**

RungePincockMinarco ("RPM") is the world's largest publicly listed independent group of mining technical experts, with a history going back to 1968.

Listed on the Australian Securities Exchange on 27 May 2008 (ASX: RUL), RPM is a global leader in the provision of advisory consulting, technology and professional development solutions to the mining industry.

The RPM global team of more than 200 specialist advisors and mining consultants is regarded as one of the most experienced and trusted teams in the industry, with wide-ranging operational and technical expertise across commodities, continents and mining methods.

Further, the RPM global team's knowledge base has been gained through the conduct of work in over 118 countries, and their approach to the business of mining is strongly grounded in economic principles.

The company's cutting-edge mining software technology has been at the forefront for more than 30 years and continues to be sought after globally for mine planning including scheduling, simulation and financial analysis solutions. Their software continues to be used by miners, mining contractors, financial institutions and other service providers to the mining sector.

At present, RPM operate offices in 18 locations across 12 countries on five continents.

In accordance with Metminco's requirements, RPM conducted a high level review of the life of mine production schedule developed for Los Calatos by NCL and Metminco. This included a review, and refinement, of key inputs relating to the production schedule as well as associated costs (operating costs and capital expenditure) and a financial analysis, in order to confirm that the planned increase in production to 75ktpd for the open pit operation and 70ktpd for the underground operation is technically achievable, economically viable, and is legally compliant.

The review was conducted under the direction of Mr David Pires, Bsc, Msc, GCert. Mr Pires is a Chartered Professional Member of the Australasian Institute of Mining and Metallurgy and is a full-time employee of RPM as Regional Consulting Manager – Latin America.

RPM certify that the results reported by Hampton correspond to those obtained by RPM in the conduct of their study on Los Calatos entitled "Los Calatos Mine Production Study" dated 05 August 2013.

*The reader is cautioned that the actual operating costs, production and economic returns may differ materially from those anticipated by the Mine Production Study, and depend on a variety of factors, some of which are outside the control of RPM.*

**FORWARD LOOKING STATEMENT**

All statements other than statements of historical fact included in this announcement including, without limitation, statements regarding future plans and objectives of Metminco are forward-looking statements. When used in this announcement, 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 announcement, 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 announcement 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 announcement, except where required by applicable law and stock exchange listing requirements.

## DIRECTORS’ REPORT (Cont’d)

### AUDITOR’S INDEPENDENCE DECLARATION

A copy of the auditor’s independence declaration as required under S307C of the Corporations Act 2001, is set out on page 15 of this financial report, and forms part of this Directors’ Report.

This report is signed in accordance with a resolution of the Board of Directors.

William Howe, Managing Director

Dated: 8th September 2014

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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 review of Metminco Limited for the half-year ended 30 June 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 review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 8 September 2014

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 30 June 2014

| | Note | 30 June 2014<br>$ | 30 June 2013<br>$ |
|---|---|---|---|
| **Revenue** | | | |
| Interest revenue | | 7,332 | 76,388 |
| Foreign exchange gain/(loss) | | (453,835) | 700,637 |
| Administration expenses | | (122,832) | (92,340) |
| Corporate expenses | | (1,472,706) | (2,451,342) |
| Occupancy expense | | (138,120) | (261,985) |
| Interest in joint venture impaired | 4 | - | (3,283,715) |
| Evaluation and due diligence expenses | | (903,961) | - |
| Exploration expenditure written off | 5 | (168,216) | (28,384,735) |
| **Loss before income tax** | 2 | **(3,252,338)** | **(33,697,092)** |
| Income tax expense | | – | – |
| **Loss for the period from continuing operations** | | **(3,252,338)** | **(33,697,092)** |
| **Other comprehensive income:** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign controlled entities | 7 | (4,096,782) | 9,878,358 |
| **Total comprehensive income for the period** | | **(7,349,120)** | **(23,818,734)** |
| **Loss attributable to:** | | | |
| Members of the parent entity | | (3,252,338) | (33,697,092) |
| | | **(3,252,338)** | **(33,697,092)** |
| **Total comprehensive loss attributable to:** | | | |
| Members of the parent entity | | (7,349,120) | (23,818,734) |
| | | **(7,349,120)** | **(23,818,734)** |
| **Loss per share** | | | |
| From continuing operations: | | | |
| Basic loss per share (cents) | 8 | (0.19) | (1.93) |
| Diluted loss per share (cents) | 8 | (0.19) | (1.93) |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

| | Note | 30 June 2014<br>$ | 31 December 2013<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | 3,443,532 | 7,807,995 |
| Trade and other receivables | 6 | 453,808 | 579,185 |
| Other assets | | 35,248 | 33,697 |
| **TOTAL CURRENT ASSETS** | | **3,932,588** | **8,420,877** |
| **NON-CURRENT ASSETS** | | | |
| Trade and other receivables | 6 | 4,547,170 | 4,935,546 |
| Investments accounted for using equity method | 4 | - | - |
| Property, plant and equipment | 3 | 3,711,186 | 4,098,597 |
| Exploration and evaluation expenditure | 5 | 190,100,878 | 192,301,260 |
| **TOTAL NON-CURRENT ASSETS** | | **198,359,234** | **201,335,403** |
| **TOTAL ASSETS** | | **202,291,822** | **209,756,280** |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | | 411,554 | 578,243 |
| Short-term provisions | | 294,495 | 280,044 |
| **TOTAL CURRENT LIABILITIES** | | **706,049** | **858,287** |
| **NON-CURRENT LIABILITIES** | | | |
| Long-term provisions | | 36,900 | – |
| **TOTAL NON-CURRENT LIABILITIES** | | **36,900** | – |
| **TOTAL LIABILITIES** | | **742,949** | **858,287** |
| **NET ASSETS** | | **201,548,873** | **208,897,993** |
| **EQUITY** | | | |
| Issued capital | 10 | 317,607,678 | 317,607,678 |
| Other reserves | | (33,702,189) | (29,605,407) |
| Accumulated losses | | (82,356,616) | (79,104,278) |
| **TOTAL EQUITY** | | **201,548,873** | **208,897,993** |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 June 2014

| | Note | Issued Capital | Accumulated Losses | Option Reserve | Foreign Currency Translation Reserve | Acquisition Reserve | Total |
|---|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ | $ |
| **Balance at 1 January 2013** | | **317,607,678** | **(43,031,976)** | **3,422,081** | **(3,431,152)** | **(41,506,662)** | **233,059,969** |
| Loss attributable to members of the parent entity | | – | (33,697,092) | – | – | – | (33,697,092) |
| Other comprehensive income | | – | – | – | 9,878,358 | – | 9,878,358 |
| Total comprehensive income for the period | | – | (33,697,092) | – | 9,878,358 | – | (23,818,734) |
| Options issued to directors and employees | | – | – | 13,066 | – | – | 13,066 |
| **Balance at 30 June 2013** | | **317,607,678** | **(76,729,068)** | **3,435,147** | **6,447,206** | **(41,506,662)** | **209,254,301** |
| **Balance at 1 January 2014** | | **317,607,678** | **(79,104,278)** | **3,435,147** | **8,466,108** | **(41,506,662)** | **208,897,993** |
| Loss attributable to members of the parent entity | | – | (3,252,338) | – | – | – | (3,252,338) |
| Other comprehensive income | | – | – | – | (4,096,782) | – | (4,096,782) |
| Total comprehensive income for the period | | – | (3,252,338) | – | (4,096,782) | – | (7,349,120) |
| **Balance at 30 June 2014** | | **317,607,678** | **(82,356,616)** | **3,435,147** | **4,369,326** | **(41,506,662)** | **201,548,873** |

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

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## CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 30 June 2014

| | Note | 30 June 2014<br>$ | 30 June 2013<br>$ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Payments to suppliers and employees | | (1,651,329) | (2,311,414) |
| Evaluation and due diligence expenses * | | (903,961) | - |
| Interest received | | 7,332 | 76,388 |
| **Net cash used in operating activities** | | **(2,547,958)** | **(2,235,026)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | (148,380) | (213,111) |
| Payments for exploration expenditure | | (1,344,873) | (3,494,237) |
| Recovery of VAT in Peru | | 130,580 | 3,331,520 |
| **Net cash used in investing activities** | | **(1,362,673)** | **(375,828)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| **Net cash provided by financing activities** | | – | – |
| **Net decrease in cash held** | | **(3,910,631)** | **(2,610,854)** |
| Cash and cash equivalents at beginning of financial period | | 7,807,995 | 14,484,097 |
| Effect of exchange rates on cash holdings in foreign currencies | | (453,832) | 700,637 |
| **Cash and cash equivalents at end of financial period** | | **3,443,532** | **12,573,880** |

* During the half year ended 30 June 2014 the Company undertook evaluation and due diligence work on selected mining projects with a view to acquiring a near term cash flow. As at balance date the Company had not entered into a binding agreement with respect to a potential acquisition and accordingly the Company has written off $903,961 incurred for the period ended 30 June 2014.

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2014

## NOTE 1: BASIS OF PREPARATION AND ACCOUNTING POLICIES

### Basis of preparation

**Reporting entity**

Metminco Limited is a company domiciled in Australia. The consolidated interim financial report of the Company for the half-year ended 30 June 2014 comprises the Company and its controlled entities, and is presented in Australian dollars, which is the functional currency of the parent company.

The consolidated annual financial report of the consolidated entity for the period ended 31 December 2013 is available upon request from the Company's registered office at Level 6, 122 Walker St, North Sydney 2060, Australia or from the Company's website at www.metminco.com.au.

The interim 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 8th September 2014.

**Statement of Compliance**

This general purpose financial report for the half year ended 30 June 2014 has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134 Interim Financial Reporting.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2013 and any public announcements made by Metminco Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

**Significant Accounting Policies**

The accounting policies applied by the consolidated entity in this condensed consolidated interim financial report are consistent with those applied by the consolidated entity in its annual financial report for the year ended 31 December 2013 other than as stated below.

***Change in accounting policy***

The Group has adopted the new and amended accounting standards which became effective for the first time on 1 January 2014 as detailed below. While these standards introduced new disclosure requirements, they did not affect the Group's accounting policies or any of the amounts recognised in the financial statements.

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

On 28 June 2013, the Australian government passed Corporations and Related Legislation Amendment Regulation 2013 (No.1) which inserts these disclosures, with minor changes, into Corporations Regulations 2001. These disclosures are now included in remuneration reports of listed companies.

These disclosure changes will be adopted in the annual report of the Company for the year ended 31 December 2014.

***AASB 2012-3 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.

This amendment has had no impact on the entity as this standard merely clarifies existing requirements in AASB132.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2014

## NOTE 1: BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

### *AASB 2013-3 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 IAS 36 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 IAS 36 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.

These amendments have not had any significant impact on the entity given that they are largely of the nature of clarification of existing requirements.

### Going concern basis of accounting

The Consolidated Group made a loss for the half year. The Consolidated Group is an exploration entity without an operating cash flow and the net cash position of the Consolidated Group will continue to decrease until such time as the Group has an operating cash flow. On 31 July 2014 the Company entered into an agreement with Bergen Global Opportunity Fund to provide funding for short term working capital of US$250,000 per month, with the possibility of increasing this to US$2 million per month, subject to the Company's election and satisfaction of certain conditions ("Bergen Facility"). The agreement extends over a 24 month period, but can be terminated by the Company at any time prior to 24 months at no cost.

The Directors are satisfied that the Company and Group have sufficient cash reserves together with funds available from the Bergen Facility to maintain its current portfolio and meet its debts as and when they fall due. Therefore these financial statements have been prepared on a going concern basis.

## NOTE 2: LOSS FOR THE PERIOD

| | 6 months ended 30 June 2014 $ | 6 months ended 30 June 2013 $ |
|---|---|---|
| **Expenses:** | | |
| Expenses from continuing operations: | | |
| Employee and directors' benefits expense | (780,775) | (1,490,898) |
| Depreciation and amortization | (133,860) | (151,752) |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2014

## NOTE 3: PROPERTY PLANT & EQUIPMENT

| | 30 June 2014 $ | 31 December 2013 $ |
|---|---|---|
| **Land** | | |
| At cost | 2,999,777 | 3,184,369 |
| Total land | **2,999,777** | **3,184,369** |
| **Plant and equipment** | | |
| At cost | 1,822,118 | 1,886,311 |
| Accumulated depreciation | (1,110,709) | (972,083) |
| Total plant and equipment | **711,409** | **914,228** |
| Total property, plant and equipment | **3,711,186** | **4,098,597** |

**Reconciliations**

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

| | | |
|---|---|---|
| **Land** | | |
| Carrying amount at beginning of period | 3,184,369 | 2,724,414 |
| Impact of foreign exchange movement on balance at beginning of period | (184,592) | 459,955 |
| Carrying amount of plant and equipment at end of period | **2,999,777** | **3,184,369** |
| **Plant and equipment** | | |
| Carrying amount at beginning of period | 914,228 | 1,016,028 |
| Additions | 148,380 | 46,863 |
| Transfer to exploration | – | 195,264 |
| Impact of foreign exchange movement on balance at beginning of period | (217,339) | (36,891) |
| Depreciation | (133,860) | (307,036) |
| Carrying amount of plant and equipment at end of period | **711,409** | **914,228** |
| Carrying amount at end of period | **3,711,186** | **4,098,597** |

## NOTE 4: INTEREST IN JOINT VENTURE

| | | |
|---|---|---|
| Movement during the year in equity accounted investment in joint venture entities | | |
| Carrying amount at the beginning of the period | – | 2,891,734 |
| Impact of foreign exchange movement during the period | – | 391,981 |
| Exploration written off *1 | – | (3,283,715) |
| Carrying amount at the end of the half year | **–** | **–** |

* 1 During the half year ended 30 June 2013 the Company completed an assessment of work undertaken to date at its 50% owned San Lorenzo exploration tenements (part of the Isidro Project) and determined the tenements to be a lower priority target for the Company. Accordingly the Company has suspended exploration work and has recorded a write down in the carrying value of its San Lorenzo interests as at 30 June 2013 by $3,283,715.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2014

## NOTE 5: EXPLORATION AND EVALUATION

| | 30 June 2014 $ | 31 December 2013 $ |
|---|---|---|
| Costs carried forward in respect of areas of interest in: | | |
| – exploration and evaluation phases | **190,100,878** | **192,301,260** |
| **Reconciliations** | | |
| Carrying amount at the beginning of the period | 192,301,260 | 205,359,513 |
| Expenditure incurred during the period | 1,370,461 | 5,908,205 |
| Impact of foreign exchange movement during the period | (3,402,627) | 9,683,550 |
| Evaluation and exploration written off * | (168,216) | (28,650,008) |
| Carrying amount at the end of the half year | **190,100,878** | **192,301,260** |

* The Company has written off exploration expenditure of $168,216 incurred for the period ended 30 June 2014. The write down for the year ended 31 December 2013 was $28,650,008 consisting of Vallecillo Project ($20,014,464), Loica Project ($6,803,928), Isidro Project ($1,663,904) and other projects ($167,712).

Recoverability of the carrying amount of exploration assets is dependent upon the successful recovery of mineral reserves.

Capitalised costs for the Los Calatos and Mollacas projects amounting to $1,202,245 for the period ended 30 June 2014 (for the year ended 31 December 2013: $4,976,600) have been included in cash flows from investing activities.

## NOTE 6: TRADE AND OTHER RECEIVABLES

| | 30 June 2014 $ | 31 December 2013 $ |
|---|---|---|
| CURRENT | | |
| Other receivables | 157,073 | 157,258 |
| VAT receivables*1 | 296,735 | 421,927 |
| Total current trade and other receivables | **453,808** | **579,185** |
| | | |
| NON-CURRENT | | |
| VAT receivables *2 | 4,547,170 | 4,935,546 |
| Total non-current trade and other receivables | **4,547,170** | **4,935,546** |

*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 (Peruvian equivalent of VAT) paid on direct expenditure relating to the Los Calatos Project incurred until 31 December 2015. As at balance date Hampton Peru had recovered in full all IGV paid with respect to the Los Calatos Project until 31 December 2012 (IGV for year ended 31 December 2013 was recovered in August 2014).

*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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2014

## NOTE 7: FOREIGN EXCHANGE RESERVE

During the half year ended 30 June 2014 the AUD recovered against the USD by 5.80% resulting in a foreign exchange reserve loss of $4,096,782 (half year to 30 June 2013 the AUD depreciated against the USD by 13.56% resulting in a foreign exchange reserve gain of $9,878,358).

| | 6 months ended 30 June 2014 | | | 6 months ended 30 June 2013 | | |
|---|---|---|---|---|---|---|
| **Date** | 31/12/2013 | 30/06/2014 | % change | 31/12/2012 | 30/06/2013 | % change |
| **AUD/USD** | 0.8873 | 0.9419 | 5.80% | 1.0371 | 0.9133 | -13.56% |

## NOTE 8: LOSS PER SHARE

| | | 6 months ended 30 June 2014 $ | 6 months ended 30 June 2013 $ |
|---|---|---|---|
| *a.* | **Reconciliation of earnings to loss** | | |
| | Loss | (3,252,338) | (33,697,092) |
| | Loss attributable to minority equity interest | – | – |
| | Loss used in the calculation of basic and dilutive EPS | **(3,252,338)** | **(33,697,092)** |
| | | **30 June 2014 NO.** | **30 June 2013 NO.** |
| *b.* | **Weighted average number of ordinary shares outstanding during the full year used in calculating basic EPS** | 1,749,543,023 | 1,749,543,023 |
| | Weighted average number of dilutive options outstanding | – | – |
| *c.* | **Anti-dilutive options on issue not used in dilutive EPS calculation** | 9,500,000 | 42,000,000 |

## NOTE 9: DIVIDENDS

The company resolved not to pay or declare any dividends in the period ended 30 June 2014 (2013: $ nil).

## NOTE 10: ISSUED CAPITAL

| | 30 June 2014 $ | 31 December 2013 $ |
|---|---|---|
| 1,749,543,023 (31 December 2013: 1,749,543,023) fully paid ordinary shares | **317,607,678** | **317,607,678** |
| **Movements in Ordinary Shares** | | |
| Balance at the beginning of the reporting period | **317,607,678** | **317,607,678** |
| Shares issued during the reporting period | – | – |
| **Closing Balance** | **317,607,678** | **317,607,678** |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2014

**NOTE 10: ISSUED CAPITAL (Cont'd)**

| **Ordinary Shares** | **30 June 2014 Number** | **31 December 2013 Number** |
|---|---|---|
| At the beginning of reporting period | **1,749,543,023** | **1,749,543,023** |
| Shares issued during reporting period | – | – |
| **At reporting date** | **1,749,543,023** | **1,749,543,023** |

**NOTE 11: CAPITAL AND LEASING COMMITMENTS**

| | **30 June 2014 $** | **31 December 2013 $** |
|---|---|---|
| **a) Operating Lease Commitments** | | |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements | | |
| Payable - minimum lease payments | | |
| - not later than 12 months | 177,691 | 177,919 |
| - between 12 months and 5 years | 116,504 | 196,503 |
| - greater than 5 years | – | – |
| | **294,195** | **374,422** |

The Group has non-cancellable leases over seven premises in Australia, Chile and Peru with terms ranging from 2 to 21 months. Rent is payable monthlty 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 lease payments | | |
| - not later than 12 months | **317,914** | **337,477** |

**NOTE 12: OTHER COMMITMENTS AND CONTINGENT LIABILITIES**

The holder of the surface titles in respect of the Mollacas deposit, Agrícola Bauzá Ltda and related parties ("Bauza Group") having filed various actions over the years against Hampton Chile with respect to access and environmental matters obtained a ruling in the Court of Appeal of the IV Region, Chile, that the Company's First Easement Extension (the "First Extension") over surface titles held by the Bauza Group, which would have enabled the Company to engage in mining activities at Mollacas, was invalid.

On 6th August 2014 the Chilean Constitutional Tribunal ("Tribunal") dismissed the defences of the Bauza Group and declared Hampton Chile's appeal to the Tribunal on the grounds that the Court of Appeal incorrectly interpreted various Civil and Mining Codes in making its ruling, to be admissible.

Should the Tribunal rule in favour of Hampton Chile, then, among other matters, the Chilean courts will not be able to rely on the Court of Appeal's interpretation of Civil and Mining Codes, in particular Mining Code 15 on which the Court of Appeal relied when it determined that the extension of an easement to permit mining activities cannot be granted without the surface title holder's permission should a 'plantation' exist in the specified area.

Hampton Chile is also appealing a determination by a review panel of the Supreme Court, announced 1 July 2014, not to grant Hampton Chile leave to appeal the Court of Appeal's ruling to the Supreme Court. The basis for this appeal are that the review panel of the Supreme Court considered only one of the five grounds of Hampton Chile's appeal and did not consider the rules of evidence and the interpretation of the application of Civil and Mining Codes followed by the Court of Appeal in accepting the surface title holder's assertions that a plantation existed on the land in 2007 when the First Extension was lodged. Under Chilean law a review panel of the Supreme Court is required to address all arguments before making a determination. The Supreme Court proceedings will remain suspended while the Tribunal considers Hampton Chile's case.

Hampton Chile 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 175 litres/sec from two canals, albeit that the estimated water usage for the mining operation will be 40 litres/sec.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2014

**NOTE 13: SEGMENT REPORTING**

The Consoldiated Group'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.

| | MINERAL EXPLORATION | | UNALLOCATED | | Total | |
|---|---|---|---|---|---|---|
| **a. Segment performance** | **30 June 2014 $** | **30 June 2013 $** | **30 June 2014 $** | **30 June 2013 $** | **30 June 2014 $** | **30 June 2013 $** |
| Other income | 2,095 | 38,377 | 5,237 | 38,011 | 7,332 | 76,388 |
| Total segment revenue | 2,095 | 38,377 | 5,237 | 38,011 | 7,332 | 76,388 |
| Total group revenue | 2,095 | 38,377 | 5,237 | 38,011 | **7,332** | **76,388** |
| Segment gain/(loss) before tax | (561,567) | (40,191,041) | (2,690,771) | 6,493,949 | (3,252,338) | (33,697,092) |
| Gain/(loss) before tax from continuing operations | (561,567) | (40,191,041) | (2,690,771) | 6,493,949 | **(3,252,338)** | **(33,697,092)** |
| Depreciation and amortisation expense included in segement result | **(60,217)** | **(77,286)** | **(73,643)** | **(74,466)** | **(133,860)** | **(151,752)** |
| Impairment loss | (1,072,177) | (31,668,450) | – | – | (1,072,177) | (31,668,450) |

| | MINERAL EXPLORATION | | UNALLOCATED | | Total | |
|---|---|---|---|---|---|---|
| **b. Segment assets** | **30 June 2014 $** | **31 December 2013 $** | **30 June 2014 $** | **31 December 2013 $** | **30 June 2014 $** | **31 December 2013 $** |
| Segment assets | 197,811,478 | 200,880,194 | 4,480,344 | 8,876,086 | 202,291,822 | 209,756,280 |
| Segment asset increases for the period | | | | | | |
| – capital expenditure | 2,396,252 | 6,454,791 | 962 | – | 2,397,214 | 6,454,791 |
| | **2,396,252** | **6,454,791** | **962** | – | **2,397,214** | **6,454,791** |
| Included in segment assets are: | | | | | | |
| – Equity accounted associates and joint ventures | – | – | – | – | – | – |
| **c. Segment liabilities** | | | | | | |
| Segment liabilities | 279,155 | 323,173 | 463,794 | 535,114 | 742,949 | 858,287 |
| *Reconciliation of segment liabilities to group liabilities* | | | | | | |
| -Total group liabilities | **279,155** | **323,173** | **463,794** | **535,114** | **742,949** | **858,287** |

**d. Other income by geographical region**

| Revenue is disclosed below, based on the location : | **30 JUNE 2014 $** | **30 JUNE 2013 $** |
|---|---|---|
| Australia | 5,237 | 38,011 |
| South America | 2,095 | 38,377 |
| Total revenue | **7,332** | **76,388** |

**e. Assets by geographical region**

| The location of segment assets by geographical location of the assets is disclosed below: | **30 JUNE 2014 $** | **31 DECEMBER 2013 $** |
|---|---|---|
| Australia | 4,480,344 | 8,876,086 |
| South America | 197,811,478 | 200,880,194 |
| Total assets | **202,291,822** | **209,756,280** |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2014

## NOTE 14: EVENTS AFTER THE BALANCE SHEET DATE

Matters that have arisen in the interval between the end of the half year and the date of this report of a material or unusual nature are as follows:

a) On 31 July 2014 Metminco Limited ("the Company") entered into a Share Purchase and Convertible Agreement with Bergen Global Opportunity Fund LP (Bergen Facility). Under the Bergen Facility the Company will receive between US$0.25 million (subject to the Company's share price being above A$0.01 per share) and US$2 million per month through the issue of fully paid ordinary shares in the Company (Shares) at 95% of the five lowest VWAPs for the 20 trading days preceding each issuance date. The Company may increase the drawdown amount in any one month subject to the drawdown amount not exceeding 20% of the value traded in any one month. The Company may terminate the Bergen facility at any time prior to 24 months at no cost.

b) On 6 August 2014 the Chilean Constitutional Tribunal ("Tribunal") dismissed the defences of the surface title holder of the Mollacas deposit, and declared Hampton Chile's appeal to the Tribunal on the grounds that the Court of Appeal incorrectly interpreted various Civil and Mining Codes in making its ruling, to be admissible. The Company is seeking to overturn a ruling by the Court of Appeal of the IV Region, Chile, announced on 28 March 2014, that the Company's First Easement Extension over surface titles held by the land holder, which would have enabled the Company to engage in mining activities at the Compnay's wholly owned Mollacas Project, was invalid.

## DIRECTORS' DECLARATION

In the opinion of the Directors of Metminco Limited:

1) The consolidated financial statements of Metminco Limited are in accordance with the Corporations Act 2001, including:

   a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and

   b) giving a true and fair view of the financial position as at 30 June 2014 and of its performance for the half-year ended on that date.

2) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

William Howe

Dated this 8th day of September 2014

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

We have reviewed the accompanying half-year financial report of Metminco Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 30 June 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' responsibility for the half-year financial report

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

### Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Metminco Limited consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Metminco Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

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

### Conclusion

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

a giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 8 September 2014