

Notice of Annual General Meeting

Metminco Limited (the Company) (**ASX: MNC; AIM: MNC**) announces the Annual General Meeting of shareholders for the year ended 31 December 2015 will be held on 17 May 2016.

The Notice of Meeting and Explanatory Memorandum together with a personalised proxy form has been mailed to shareholders.

A copy of the Notice of Meeting, Explanatory Memorandum and Annual Report for the year ended 31 December 2015 are attached and can also be downloaded from the Company's website: www.metminco.com.au.



Philip Killen
Company Secretary

For further information, please contact:

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Metminco Limited

ABN 43 119 759 349

NOTICE OF ANNUAL GENERAL MEETING

PROXY FORM

AND

EXPLANATORY MEMORANDUM

TO ASSIST SHAREHOLDERS IN THEIR CONSIDERATION OF RESOLUTIONS TO BE PUT AT THE

ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT

100 WALKER STREET, NORTH SYDNEY ON TUESDAY 17 MAY 2016 AT 10.00 AM

THIS DOCUMENT IS IMPORTANT

This Notice of Meeting and Explanatory Memorandum should be read in their entirety. If you do not understand these documents or are in any doubt as to how to deal with them, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.

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www.metminco.com.au

Metminco Limited

ACN 119 759 349

(Company)

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED

31 DECEMBER 2015

AND

EXPLANATORY MEMORANDUM

AND

PROXY FORM

Notice is hereby given that an Annual General Meeting of the members of the Company will be held at:

Location: Christie Conference Centres, 100 Walker Street, North Sydney, NSW, 2060

Date: Tuesday, 17 May 2016

Time: 10.00am (Sydney time)

An Explanatory Memorandum accompanying this Notice provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Memorandum forms part of this Notice and should be read in conjunction with it. We refer Shareholders to the Glossary in the Explanatory Memorandum which contains definitions of capitalised terms used in this Notice and the Explanatory Memorandum.

AGENDA

ORDINARY BUSINESS

1. Discussion of Financial Statements and Reports

To receive and consider the Financial Report, the Directors' Report and Auditor's Report for the year ended 31 December 2015.

Metminco's Financial Report, Directors' Report and Auditor's Report contained in the Report to Shareholders are placed before the Meeting giving Shareholders an opportunity to discuss those documents and to ask questions, though there is no requirement that Shareholders approve these reports. The auditor will be attending the Annual General Meeting and will be available to answer any questions relevant to the conduct of the audit and the preparation and content of the Auditor's Report.

2. Resolutions

To consider and, if thought fit, pass the following as ordinary resolutions of the Company:

| | | |
|---------------------|--|---|
| Resolution 1 | To adopt the Remuneration Report for the year ended 31 December 2015. | "That the Remuneration Report for the year ended 31 December 2015 be adopted." Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company. |
| Resolution 2 | Re-election of Timothy Phillip Read | "That, for the purpose of clause 15.10 of the Constitution and for all other purposes, Timothy Phillip Read, a Director appointed 1 April 2010, retires and, being eligible, is re-elected as a Director." |
| Resolution 3 | Re-election of Roger John Higgins | "That, for the purpose of clause 15.10 of the Constitution and for all other purposes, Roger John Higgins, a Director appointed 8 October 2013, retires and, being eligible, is re-elected as a Director." |
| Resolution 4 | Ratification of prior share issues | "That, for the purposes of Listing Rule 7.4 and for all other purposes, shareholders approve and ratify the November 2015 allotment and issue of a total of 250,000,000 Shares in the Company on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice." |
| Resolution 5 | Ratification of prior share issues | "That, for the purposes of Listing Rule 7.4 and for all other purposes, shareholders approve and ratify the April 2016 allotment and issue of a total of 250,000,000 Shares in the Company on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice." |
| Resolution 6 | Ratification of prior share issues | "That, for the purposes of Listing Rule 7.4 and for all other purposes, shareholders approve and ratify the prior allotment and issue of a total of 50,000,000 Shares in the Company to RMB Australia Pty Ltd (RMB) as an exclusivity fee in relation to acquisition of all the issued securities of Minera Seafield SAS (Minera Seafield) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice." |

| | | |
|---------------------|--|--|
| Resolution 7 | Approval for the issue of shares to acquire all the issued capital of Minera Seafield | "That for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to be authorised to issue and allot 350,000,000 Shares to RMB (RMB) as part consideration for the acquisition of all the issued securities of Minera Seafield." |
| Resolution 8 | Approval of the 10% Placement | "That for the purposes of Listing Rule 7.1A and for all other purposes, the issue of up to 10% of the Company's share capital calculated in accordance with Listing Rule 7.1A, and on the terms and conditions set out in the Explanatory Statement, is approved." |

For the purposes of regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Company determines that Shareholders recorded on the Company's register at 10:00 am (Sydney time) on Sunday, 15 May 2016 (Record Date) will be entitled to attend and vote at the Meeting. If you are not a registered Shareholder at the Record Date, you will not be entitled to vote in respect of that Share.

If you cannot attend the Meeting in person, you are encouraged to sign and deliver the accompanying proxy form and return it in accordance with the instructions set out below.

APPOINTMENT OF PROXIES

A Shareholder entitled to attend and vote at the Annual General Meeting may appoint an individual or a body corporate as a proxy to attend the Meeting and, on a poll, vote on the Shareholder's behalf. A proxy need not be a Shareholder.

A Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. The enclosed proxy form provides further details on proxies and lodging proxy forms.

If a Shareholder appoints a member of KMP or a Closely Related Party of any member of KMP as proxy, the KMP or Closely Related Party is not able to vote proxies on Resolution 1 unless the Shareholder directs them how to vote by marking the boxes on the proxy form for Resolution 1.

If a Shareholder appoints the Chairman of the Meeting as proxy, the Shareholder can direct the Chairman how to vote by either marking the relevant boxes on the proxy form (i.e. 'for', 'against' or 'abstain') OR by marking the Chairman's voting direction box on the proxy form (in which case this will be considered to be an express direction to the Chairman of the Meeting to vote in favour of Resolution 1 even though Resolution 1 is connected directly or indirectly with the remuneration of a member of KMP and/or even if the Chairman of the Meeting has an interest in the outcome of this Resolution.

If no direction is provided and the Chairman's voting box is not marked (or if the direction is to 'abstain') the Chairman of the Meeting will not be able to cast the Shareholder's votes on Resolution 1 and those votes will not be counted in calculating the required majority on a poll.

Subject to the paragraphs above, if a Shareholder appoints the Chairman of the Meeting as the Shareholder's proxy and does not specify how the Chairman is to vote on a Resolution, the Chairman will vote, as proxy for that Shareholder, in favour of that Resolution on a poll.

For Shareholders registered on the Australian register, section 250B of the Corporations Act stipulates that the proxies must be delivered prior to 10:00 am (Sydney time) on Sunday, 15 May 2016 to:

Metminco Limited
Link Market Services
Locked Bag A14
Sydney South NSW 1235
Australia

VOTING EXCLUSIONS

Resolution 1: The Company will disregard any votes on Resolution 1 cast by or on behalf of any person who is a member of KMP or a Closely Related Party of any member of KMP.

Resolution 4: The Company will disregard any votes cast on Resolution 4 by any person who has participated in the Nov 15 Placement or any associate of such a person.

Resolution 5: The Company will disregard any votes cast on Resolution 5 by any person who has participated in the Apr 16 Placement or any associate of such a person.

Resolution 6: The Company will disregard any votes cast on Resolution 6 by RMB or any associate of such a person.

Resolution 7: The Company will disregard any votes cast on Resolution 7 by RMB or any associate of such a person.

Resolution 8: The Company will disregard any votes on Resolution 8 cast by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, and any associate of such person.

However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

QUESTIONS

If you have any questions about any matter contained in the Notice of Meeting, please contact the Company Secretary, Philip Killen, on 0408 609 916 or at phil.killen@metminco.com.au.

Dated 12 April 2016

By order of the Board



Philip Killen
Company Secretary

Metminco Limited
ACN 119 759 349
EXPLANATORY MEMORANDUM

IMPORTANT NOTICE

This Explanatory Memorandum is an explanation of, and contains information about, the Resolutions to be considered at the Annual General Meeting, which are set out in the accompanying Notice of Meeting dated 12 April 2016 (**Notice**), to assist Shareholders in determining how they wish to vote on the Resolutions.

This Explanatory Memorandum forms part of the accompanying Notice and should be read together with the Notice.

All Resolutions are ordinary resolutions and are not dependent on any other Resolution.

If you are in doubt about what to do in relation to the Resolutions contemplated in this Explanatory Memorandum, you should consult your financial or other professional advisor.

This Explanatory Memorandum is dated 12 April 2016.

Capitalised terms used in this Explanatory Memorandum have the meaning given to them in the Glossary attached to this Explanatory Memorandum.

FORWARD LOOKING STATEMENTS

Certain statements in this Explanatory Memorandum relate to the future.

These statements reflect views held as at the date of this Explanatory Memorandum.

While Metminco believes that the expectations reflected in the forward looking statements are reasonable, neither Metminco nor any other person gives any representation, assurance, or guarantee that the occurrence of an event expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur.

Resolution 1 – Adoption of Remuneration Report

The Remuneration Report for the year ended 31 December 2015 is set out in the Annual Report and is available on the Company's website www.metminco.com.au.

The Remuneration Report outlines Metminco's remuneration philosophy and practices and sets out the remuneration arrangements in place for Directors, the Managing Director and other members of KMP in accordance with the requirements of the Corporations Act.

The vote on the Resolution is advisory only and does not bind the Directors or the Company.

The Directors will, however, take the outcome of the vote into consideration when reviewing remuneration practices and policies.

Resolution 2 – Re-election of Timothy Phillip Read

Pursuant to the rotation provisions of clause 15.10(a) of the Constitution and Listing Rules 14.4 and 14.5, Timothy Phillip Read, who was appointed to the Board on 1 April 2010, retires and being eligible has offered himself for re-election as a Director.

Clause 15.10(a) of the Constitution provides that one third of the Directors shall retire from office at each annual general meeting and will be eligible for re-election.

Listing Rule 14.4 restricts a director from holding office past the third annual general meeting following appointment without re-election. Furthermore, Listing Rule 14.5 provides that any entity which has directors must hold an election of directors each year.

Mr Read's experience and qualifications are set out in the Report to Shareholders.

Recommendation: The Directors (other than Timothy Phillip Read) recommend that Shareholders vote in favour of Resolution 2.

Resolution 3 – Re- Election of Roger John Higgins

Pursuant to the rotation provisions of clause 15.10(a) of the Constitution and Listing Rules 14.4 and 14.5, Roger John Higgins, who was appointed to the Board on 8 October 2013, retires and being eligible has offered himself for re-election as a Director.

Clause 15.10(a) of the Constitution provides that one third of the Directors shall retire from office at each annual general meeting and will be eligible for re-election.

Listing Rule 14.4 restricts a director from holding office past the third annual general meeting following appointment without re-election. Furthermore, Listing Rule 14.5 provides that any entity which has directors must hold an election of directors each year.

Mr Higgins's experience and qualifications are set out in the Report to Shareholders.

Recommendation: The Directors (other than Roger John Higgins) recommend that Shareholders vote in favour of Resolution 3.

Resolution 4 – Ratification of the Nov 15 Placement

Resolution 4 seeks Shareholder ratification pursuant to Listing Rule 7.4.

In November 2015, Metminco issued 250,000,000 Shares to sophisticated and professional investors at a price of A\$0.00433 (£0.002) per Share under ASX Listing Rule 7.1 and 7.1A, raising approximately A\$1.1 (£0.50) million before costs (Nov 15 Placement).

Listing Rule 7.1 prohibits (subject to certain exceptions) Metminco from issuing or agreeing to issue new securities representing more than 15% of its total issued ordinary shares during the following 12 month period, without shareholder approval. However, an issue of shares may be approved retrospectively in accordance with Listing Rule 7.4.

For the purposes of Listing Rule 7.1 the Nov 15 Placement represents approximately 7.6% of the issued capital of the Company on an undiluted basis and 6.6% on a fully diluted basis.

Listing Rule 7.4 provides that an issue of securities is deemed to have been made with shareholder approval if Listing Rule 7.1 is not breached at the time the securities were issued and shareholders subsequently approve the issue.

By Shareholders ratifying the issue of the Nov 15 Placement, the Company is given flexibility to issue further securities up to the 15% limit over the next 12 month period. The Board believes that it is in the best interest of the Company to maintain the ability to issue up to its full placement capacity so that the Company retains financial flexibility and can take advantage of commercial opportunities that may arise.

Listing Rule 7.5 requires that the following information be provided to Shareholders in respect of Resolution 4 for the purposes of Listing Rule 7.4:

- (a) The number of Nov 15 Placement Shares: 250,000,000 new Shares;
- (b) Issue price: A\$0.00433 (£0.002) per Share;
- (c) Terms of Nov 15 Placement : The Nov 15 Placement Shares rank equally with the existing Shares on issue;
- (d) Allottees: The Nov 15 Placement Shares, which were placed by SP Angel (the Company's joint UK broker), were issued and allotted to selected sophisticated and professional investors who are not related parties of the Company;
- (e) Allotment Date: The Nov 15 Placement Shares were issued on 9 November 2015;
- (f) Use of funds raised: The proceeds from the Nov 15 Placement together with funds raised from exercise of May 16 Options were used to advance the Los Calatos Project (including drilling of one hole on the TD2 target), maintain the Company's other projects in good standing and working capital; and
- (g) Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 4 by any person who has participated in the Nov 15 Placement or any associate of such a person.

The Metminco Board unanimously recommends that eligible Metminco Shareholders vote in favour of Resolution 4.

Resolution 5 – Ratification of the Apr 16 Placement

Resolution 5 seeks Shareholder ratification pursuant to Listing Rule 7.4.

In April 2016, Metminco issued 250,000,000 Shares to sophisticated and professional investors at a price of A\$0.004 (£0.002) per Share under ASX Listing Rule 7.1 and 7.1A, raising approximately A\$1.0 (£0.50) million before costs (Apr 16 Placement).

Listing Rule 7.1 prohibits (subject to certain exceptions) Metminco from issuing or agreeing to issue new securities representing more than 15% of its total issued ordinary shares during the following 12 month period, without shareholder approval. However, an issue of shares may be approved retrospectively in accordance with Listing Rule 7.4.

For the purposes of Listing Rule 7.1 the Apr 16 Placement Shares represent approximately 7.6% of the issued capital of the Company on an undiluted basis and 6.6% on a fully diluted basis.

Listing Rule 7.4 provides that an issue of securities is deemed to have been made with shareholder approval if Listing Rule 7.1 is not breached at the time the securities were issued and shareholders subsequently approve the issue.

By Shareholders ratifying the issue of the Apr 16 Placement Shares, the Company is given flexibility to issue further securities up to the 15% limit over the next 12 month period. The Board believes that it is in the best interests of the Company to maintain the ability to issue up to its full placement capacity so that the Company retains financial flexibility and can take advantage of commercial opportunities that may arise.

Listing Rule 7.5 requires that the following information be provided to Shareholders in respect of Resolution 5 for the purposes of Listing Rule 7.4:

- (a) The number of Apr 16 Placement Shares: 250,000,000 new Shares;
- (b) Issue price: A\$0.004 (£0.002) per Share;
- (c) Terms of Apr 16 Placement : The Apr 16 Placement Shares rank equally with the existing Shares on issue;
- (d) Allottees: The Apr 16 Placement Shares, which were placed by SP Angel and RFC Ambrian (the Company's joint brokers), were issued and allotted to selected sophisticated and professional investors who are not related parties of the Company;
- (e) Allotment Date: The Apr 16 Placement Shares were issued in two tranches, 210,000,000 on 5 April 2016 and 40,000,000 on 8 April 2016;
- (f) Use of funds raised: The proceeds from the Apr 16 Placement will be used in relation to the acquisition of Minera Seafield as explained in Resolution 6 and 7, maintain the Company's existing projects in good standing and working capital; and
- (g) Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 5 by any person who has participated in the Apr 16 Placement or any associate of such a person.

The Metminco Board unanimously recommends that eligible Metminco Shareholders vote in favour of Resolution 5.

Resolution 6 and 7 – Approval of Issue of 400,000,000 Shares to RMB

Resolutions 6 and 7 relate to the Company's acquisition of Minera Seafield.

As announced on 7 March 2016 Metminco signed a Heads of Agreement (HOA) with RMB Australia Holdings Limited (RMB) to purchase Minera Seafield from RMB. Minera Seafield owns 100% of the Quinchia Gold Portfolio in Colombia where a NI 43-101 mineral resource of 2.8 million ounces of gold has been estimated. Refer to the Company's announcement dated 7 March 2016 which includes Competent Person sign off and disclosures required under ASX Listing Rules 5.12 and 5.16.

The Quinchia Gold Portfolio covers 6,043Ha of granted concessions and an additional 3,792Ha of pending applications, and contains a number of deposits and exploration targets including Miraflores, Dosquebradas and Tesorito.

The transaction paves the way for Metminco to become a gold producer with strong cashflows to fund exploration and production growth plans. The acquisition includes:

- a near term development opportunity at the Miraflores deposit which contains 1.88Moz gold and 3.8Moz silver, estimated in accordance with NI 43-101 (Measured, Indicated and Inferred Mineral Resource categories). Miraflores is a technically and financially robust project, which has been the subject of two prior PEA's, a feasibility study that is largely complete, and an internal technical report completed by SRK Consulting (U.S.), Inc.;
- an Inferred Mineral Resource of 0.92Moz gold and 1.04Moz silver at the Dosquebradas deposit, estimated in accordance with NI 43-101;
- a significant gold porphyry system at the Tesorito target, where drill hole TS-DH-02 returned an intercept of 384m @ 1.01 g/t gold, 0.9 g/t silver and 0.08% copper from surface (including 29.3m @ 1.9 g/t gold, 1.0 g/t silver and 0.12% copper);
- significant regional exploration potential at the Quinchia Gold Portfolio which is highly prospective for gold deposits typical of the large gold porphyry systems developed along the Mid-Cauca Porphyry Belt in Colombia such as Anglogold Ashanti's La Colosa deposit (33Moz gold) and Gran Colombia's Marmato Gold Mine (12Moz gold); and

- the opportunity for Metminco to improve the economics of the Miraflores project by substantially reducing the capital and operating costs by taking advantage of current market conditions.

The Quinchia Gold Portfolio is an excellent fit to the Company's strategy and capabilities providing the Company with a near term cashflow opportunity and significant upside potential through exploration. The transaction, which is subject to completion of a Sale and Purchase Agreement with customary conditions precedent, is summarised as follows:

1. Metminco issued RMB with 50 million Shares (Exclusivity Fee) at a deemed price of 0.5 cents per share on the HOA becoming binding;
2. On Settlement, Metminco will:
 - (i) Issue RMB with 350 million Shares at a deemed price of 0.5 cents per share;
 - (ii) Reimburse RMB in cash for costs incurred by Minera Seafield for the period from execution of the Offer Letter to Settlement (estimated to be A\$0.5 million), payable on Settlement ;
3. Metminco will make cash payments to RMB as follows:
 - (i) Initial payment of A\$1.0 million 12 months after Settlement;
 - (ii) Second payment of A\$1.0 million 24 months after Settlement;
 - (iii) Third payment of A\$3.0 million on the earlier of (a) a decision to mine at the Quinchia Gold Portfolio; and (b) 36 months after Settlement;
 - (iv) Fourth payment of A\$2.0 million on the earlier of (a) a decision to mine at the Quinchia Gold Portfolio; and (b) 48 months after Settlement; and
4. Metminco will pay a maximum of A\$7 million in royalty payments to RMB from operating cashflows.

In total RMB would be issued 400,000,000 Shares representing 10.9 % of the voting power of Metminco if all the remaining 350 million Shares are issued to RMB on Settlement. There is a risk that RMB may sell part or all of these Shares, and or RMB may attempt to use its holding in Metminco to pursue objectives inconsistent with the objectives of other Shareholders. Further, following acquisition Metminco will need to provide all future funding for Minera Seafield.

Resolution 6 – Ratification of the Exclusivity Fee to RMB

Resolution 6 seeks Shareholder ratification pursuant to Listing Rule 7.4.

In March 2016, Metminco issued 50,000,000 Shares to RMB at a deemed price of A\$0.005 per Share under ASX Listing Rule 7.1 and 7.1A, as payment for the Exclusivity Fee as set out above.

Listing Rule 7.1 prohibits (subject to certain exceptions) Metminco from issuing or agreeing to issue new securities representing more than 15% of its total issued ordinary shares during the following 12 month period, without shareholder approval. However, an issue of shares may be approved retrospectively in accordance with Listing Rule 7.4.

For the purposes of Listing Rule 7.1 the Exclusivity Fee Shares represent approximately 1.5% of the issued capital of the Company on an undiluted basis and 1.3% on a fully diluted basis.

Listing Rule 7.4 provides that an issue of securities is deemed to have been made with shareholder approval if Listing Rule 7.1 is not breached at the time the securities were issued and shareholders subsequently approve the issue.

By Shareholders ratifying the issue of the Exclusivity Fee Shares, the Company is given flexibility to issue further securities up to the 15% limit over the next 12 month period. The Board believes that it is in the best interests of the Company to maintain the ability to issue up to its full placement capacity so that the Company retains financial flexibility and can take advantage of commercial opportunities that may arise.

Listing Rule 7.5 requires that the following information be provided to Shareholders in respect of Resolution 6 for the purposes of Listing Rule 7.4:

- (a) The number of Exclusivity Fee Shares: 50,000,000 new Shares;
- (b) Issue price: deemed issue price of A\$0.005 (£0.0025) per Share;
- (c) Terms of Exclusivity Fee : The Exclusivity Fee Shares rank equally with the existing Shares on issue;

- (d) Allottees: The Exclusivity Fee Shares were issued to RMB which is not a related party of the Company;
- (e) Allotment Date: The Exclusivity Fee Shares were issued on 29 March 2016;
- (f) Use of funds raised: The Exclusivity Fee Shares were used to pay RMB as part of the consideration to acquire Minera Seafield as set out above; and
- (g) Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 6 by RMB or any associate of RMB.

The Metminco Board unanimously recommends that eligible Metminco Shareholders vote in favour of Resolution 6.

Resolution 7 – Issue of Shares to RMB as part consideration for the purchase of Minera Seafield

Resolution 7 seeks Shareholder approval under Listing Rule 7.1, in respect of the proposed issue of 350 million Shares to RMB at a deemed price of A\$0.005 per Share as part of the consideration for the purchase of Minera Seafield (Consideration Shares) as set out above.

As Shareholder approval is only being sought under Listing Rule 7.1, the Consideration Shares will not be issued to related parties of the Company (as defined in Listing Rule 10.11) including but not limited to Directors and their spouses, entities controlled by Directors and controlling Shareholders of the Company.

For the purposes of Listing Rule 7.1 the Consideration Shares represent approximately 9.6% of the issued capital of the Company on an undiluted basis and approximately 9.2% on a fully diluted basis.

Listing Rule 7.3 requires that the following information be provided to Shareholders in respect of Resolution 7 for the purposes of Listing Rule 7.1:

- (a) The number of Consideration Shares: 350,000,000 new Shares;
- (b) Issue price: A\$0.005 per Share;
- (c) Terms of the Consideration Shares: The Consideration Shares rank equally with the existing Shares on issue;
- (d) Allottees: The Consideration Shares will be issued to RMB which is a not a related party of the Company
- (e) Allotment Date: It is anticipated that the Consideration Shares will be allotted prior to 31 May 2016 but in any case will be allotted no later than 31 July 2016;
- (f) Use or intended use of funds raised: The Consideration Shares will be issued to pay RMB as part of the consideration to acquire Minera Seafield as set out above ; and
- (g) Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 7 by RMB or any person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, from the Consideration Shares if Resolution 7 is passed or any associate of such a person.

The Board unanimously recommends that eligible Shareholders vote in favour of Resolution 7.

Resolution 8 – Approval of Additional 10% Placement Capacity

Resolution 8 seeks Shareholder approval for the Company to have the capacity to issue up to an additional 10% of the issued share capital of the Company under Listing Rule 7.1A (10% Placement) over a 12 month period following the Annual General Meeting. The 10% Placement relates only to existing quoted securities, namely Shares. Resolution 8 is a special resolution and requires approval of 75% of the votes cast by Shareholders present and eligible to vote.

Under Listing Rule 7.1A an eligible listed entity may, subject to Shareholder approval by way of special resolution, issue Shares comprising up to 10% of its issued share capital in addition to the normal 15% new issue capacity under Listing Rule 7.1. The Company is an eligible entity for the purposes of Listing Rule 7.1A as it is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less.

Placement capacity under Listing Rule 7.1 and 7.1A

The 10% Placement is in addition to a listed entity's usual 15% placement capacity under Listing Rule 7.1.

Directors believe that approval of Resolution 8 is a prudent approach as it will provide the Company with flexibility to take advantage of opportunities as they arise including raising capital quickly if advantageous terms are available, in the best interests of the Company.

As at the date of this Notice of Meeting, the Company has a binding Heads of Agreement with RMB to acquire the Quinchia Gold Portfolio, which is expected to be settled no later than 31 May 2016. The Quinchia Gold Portfolio includes the potential near term cash flow Miraflores gold project and the drill ready Tesorito project which will require funding. Further, funds may be applied to advancement of the Company's wholly owned Los Calatos Project (including continued exploration and pre-feasibility work) and/or settlement of Mollacas mining access dispute and/or working capital or for other corporate purposes.

As at the date of this Notice of Meeting, the Company had 3,285,062,196 Shares on issue. In addition to any other Shares which the Company can issue under the permitted exceptions to Listing Rules 7.1, it has the capacity to issue 90,664,290 Shares under Listing Rule 7.1 and Listing Rule 7.1A. Subject to Shareholder approval being obtained under Resolution 4,5,6 and 7 the Company could issue a further 414,941,881 Shares under Listing Rule 7.1 and 360,058,119 Shares under Listing Rule 7.1A.

The actual number of Shares that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Shares in accordance with the formula in Listing Rule 7.1A.2. The number of Shares on issue as at the date of the Notice of Meeting will increase by up to approximately 985,518,659 Shares subject to the number of acceptances received and shortfall placements made in relation to the Share Purchase Plan Offer announced 11 April 2016.

Minimum issue price

Shares issued under the 10% Placement by the Company can only be issued at a price that is not less than 75% of the VWAP (volume weighted average price) of the Shares calculated over the 15 trading days on which trades in its Shares were recorded immediately before:

- a) the date on which the issue price of the Shares is agreed; or
- b) the issue date (if the Shares are not issued within five trading days of the date on which the issue price is agreed).

Placement period

Shareholder approval under Listing Rule 7.1A is valid from the date of this AGM until the earlier to occur of:

- a) 12 months after the date of the AGM; and
- b) the date of approval by Shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking), or such longer period if allowed by the ASX.

Shareholder approval under Listing Rule 7.1A does not lapse if the Company's market capitalisation subsequently exceeds \$300 million or if it is included in the S&P/ASX 300 Index at some time during that period provided that the Company meets those criteria on the date of the Meeting.

Dilution to existing shareholdings

If Resolution 8 is approved by Shareholders and the Company issues Shares under the 10% Placement, there is a risk of economic and voting dilution to existing Shareholders as a result. Further, as the market price of the Shares may be significantly lower on the issue date than on the date of the approval at the Meeting, and because the Shares may be issued at a price that is at a discount to the market price on the issue date, there is a risk that the 10% Placement may raise less funding than it would based on the current market price of the Shares.

In accordance with Listing Rule 7.3A.2 Table 1 below shows a number of hypothetical scenarios for a 10% Placement where variable "A" in the formula in Listing Rule 7.1A.2 (representing the Company's share capital) has increased by either 50% or 100%, and the share price has decreased by 50% or increased by 100% from the approximate share price as at the date of finalisation of the date of this Notice of Meeting.

Table 1

| | | Dilution table | | |
|--|---------------|--|------------------------|---|
| | | \$0.0025 50% decrease in Issue Price | \$0.005 Issue Price | \$0.0075 100% increase in Issue Price |
| 3,285,062,196 Shares (Current) | Shares Issued | 328,506,220 | 328,506,220 | 328,506,220 |
| | Funds Raised | \$821,266 | \$1,642,531 | \$2,463,797 |
| 4,927,593,294 Shares (50% increase) | Shares Issued | 492,759,329 | 492,759,329 | 492,759,329 |
| | Funds Raised | \$1,231,898 | \$2,463,797 | \$3,695,695 |
| 657,0124,392 Shares (100% increase) | Shares Issued | 657,012,439 | 657,012,439 | 657,012,439 |
| | Funds Raised | \$1,642,531 | \$3,285,062 | \$4,927,593 |

The dilution table has been prepared based on the following hypothetical assumptions. The Company does not represent that they will necessarily occur:

- a) the Company issues the maximum number of Shares available under the 10% Placement;

- b) any increase in Variable A (being the issued share capital at the time of issue) is due to an issue of Shares which is an exception in Listing Rule 7.2, for example a Share Purchase Plan Offer issue. However, a 15% placement under Listing Rule 7.1 does not increase variable "A" for the purposes of calculating the placement capacity under Listing Rule 7.1A;
- c) Table 1 shows only the effect of issues of Shares under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1;
- d) Table 1 does not show the dilution that may be caused to any particular Shareholder by reason of placements under Listing Rule 7.1A, based on that Shareholder's holding at the date of the AGM. For instance, Shareholders will have different outcomes depending on whether or not they participate in a pro-rata issue which has the effect of increasing variable "A";
- e) the Issue Price is assumed to be \$0.005, being the approximate Share VWAP on 11 April 2016 immediately prior to the date of this Notice of Meeting; and

Purpose of the 10% Placement

The Company may seek to issue Shares under the 10% Placement for either:

- a) a cash issue price to fund advancement of the Quinchia Gold Portfolio, the Company's wholly owned Los Calatos Project (including continued exploration and pre-feasibility study work), mining access rights at the Mollacas Project, and/or working capital or for other corporate purposes; or
- b) non-cash consideration in relation to settlement of the Mollacas mining access dispute and/ or other acquisitions including land and plant, subject to any applicable ASX requirements.

In either case, the cash issue price or the value of the non-cash consideration must comply with the minimum issue price noted above.

Allocation policy

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue under the 10% Placement. The identity of the allottees under the 10% Placement will be determined on a case by case basis having regard to the factors including the following:

- a) the methods of raising funds that are available to the Company, including a rights issue or other issue in which existing shareholders can participate;
- b) the effect of the issue of the Shares on the control of the Company;
- c) the financial situation and solvency of the Company; and,
- d) advice from corporate, financial and broking advisors (if applicable).

The allottees under the 10% Placement have not been determined as at the date of finalisation of this Notice of Meeting and may include existing substantial Shareholders and/or new Shareholders, but the allottees cannot include any directors, related parties or associates of a related party of the Company without a further specific shareholder approval.

Listing Rule 7.3A.6 requires that the following information be provided to Shareholders in respect of Resolution 8 for the purposes of Listing Rule 7.1A:

- a) The Company was granted approval to issue up to an additional 10% of the Company's share capital calculated in accordance with Listing Rule 7.1A at the Company's 2014 Annual Meeting held on 28 May 2015.
- b) The total number of equity securities issued during the previous 12 months is 914,673,796 Shares representing 39% of the total Shares on issue as at 28 May 2015, the date of the Company's previous Annual General Meeting.

Table 2 below provides details of each issue of Shares since 28 May 2015:

Table 2

| Number Issued | Issue Price | Allottees | Premium / (Discount) To Market | Cash /Non Cash | Non Cash |
|---------------|----------------------|--|--------------------------------|----------------|---|
| 40,000,000 | \$0.005 (£0.0026) | Rights issue shortfall taken up by existing shareholders | -28.6% | Cash | Advancement of Projects & Working Capital |
| 96,554 | \$0.005 (£0.0026) | Early exercise of May 2016 Options | -28.6% | Cash | Advancement of Projects & Working Capital |
| 70,005,500 | \$0.005 (£0.0026) | Rights issue shortfall taken up by existing shareholders | -16.7% | Cash | Advancement of Projects & Working Capital |
| 54,250 | \$0.005 (£0.0026) | Early exercise of May 2016 Options | -16.7% | Cash | Advancement of Projects & Working Capital |
| 33,358,334 | \$0.006 (£0.003) | Exercise June 15 Options | 50.0% | Cash | Advancement of Projects & Working Capital |
| 1,182,054 | \$0.005 (£0.0026) | Early exercise of May 2016 Options | 25.0% | Cash | Advancement of Projects & Working Capital |
| 134,680,000 | \$0.005 (£0.0026) | Rights issue shortfall taken up by existing shareholders | 20.0% | Cash | Advancement of Projects & Working Capital |
| 126,191 | \$0.005 (£0.0026) | Early exercise of May 2016 Options | 0.0% | Cash | Advancement of Projects & Working Capital |
| 854,839 | \$0.005 (£0.0026) | Early exercise of May 2016 Options | 25.0% | Cash | Advancement of Projects & Working Capital |
| 127,090 | \$0.005 (£0.0026) | Early exercise of May 2016 Options | 25.0% | Cash | Advancement of Projects & Working Capital |

| Number Issued | Issue Price | Allottees | Premium / (Discount) To Market | Cash /Non Cash | Non Cash |
|---------------|-----------------------|---|--------------------------------|----------------|---|
| 5,310,218 | \$0.005 (£0.0026) | Rights issue shortfall taken up by existing shareholders | 25.0% | Cash | Advancement of Projects & Working Capital |
| 1,849,998 | \$0.005 (£0.0026) | Early exercise of May 2016 Options | 25.0% | Cash | Advancement of Projects & Working Capital |
| 14,104,372 | \$0.005 (£0.0026) | In lieu of fees of \$60,000 payable to LinQ Corporate Pty Ltd | 25.0% | Non Cash | Advisory services |
| 20,000,000 | \$0.005 (£0.0026) | Early exercise of May 2016 Options | -16.7% | Cash | Advancement of Projects & Working Capital |
| 18,828,963 | \$0.005 (£0.0026) | Early exercise of May 2016 Options | 25.0% | Cash | Advancement of Projects & Working Capital |
| 250,000,000 | \$0.0043 (£0.002) | Placement to sophisticated and professional investors by SP Angel | -20% | Cash | Advancement of Projects & Working Capital |
| 7,052,186 | \$0.0043 (£0.002) | In lieu of fees of \$30,000 payable to LinQ Corporate Pty Ltd | 7.5% | Non Cash | Advisory services |
| 15,288 | \$0.005 (£0.0026) | Early exercise of May 2016 Options | 66.7% | Cash | Advancement of Projects & Working Capital |
| 7,301,562 | \$0.0041 (£0.002) | For investor relations services of \$30,000 payable to Slipstream Resources Pty Ltd | 36.7% | Non Cash | Investor relations services |
| 2,098,678 | \$0.005 (£0.0026) | Early exercise of May 2016 Options | 0.0% | Cash | Advancement of Projects & Working Capital |
| 50,000,000 | \$0.005 (£0.0026) | RMB Exclusivity Fee in relation to acquisition of Minera Seafield | 0.0% | Non Cash | Exclusivity Fee payable to RMB in relation to purchase of Minera Seafield |
| 6,022,887 | \$0.005 (£0.0026) | In lieu of fees of \$30,000 payable to LinQ Corporate Pty Ltd | 0.0% | Non Cash | Advisory services |
| 210,000,000 | \$0.004 (£0.002) | Placement to sophisticated and professional investors by SP Angel and RFC Ambrian | -20%% | Cash | Advancement of Projects & Working Capital |
| 1,604,832 | \$0.005 (£0.0026) | RMB Exclusivity Fee in relation to acquisition of Minera Seafield | 25.0% | Cash | Advancement of Projects & Working Capital |
| 40,000,000 | \$0.004 (£0.002) | Placement to sophisticated and professional investors by SP Angel and RFC Ambrian | -20%% | Cash | Advancement of Projects & Working Capital |

Voting exclusion

A voting exclusion statement is included in the Notice of Meeting. At the date of finalisation of the notice, the Company has not approached any particular existing Shareholder or an identifiable class of existing Shareholders to participate in the issue of the Shares. No existing Shareholder's vote will therefore be excluded under the voting exclusion in the Notice of Meeting.

Recommendation: The Directors recommend that Shareholders vote in favour of Resolution 8.

GLOSSARY

In this Explanatory Memorandum, the following terms have the following meanings unless the context requires otherwise:

| | |
|--|---|
| 10% Placement | means the capacity to place an additional 10% of the issued share capital of the Company under Listing Rule 7.1A over a 12 month period following the Annual General Meeting. |
| Apr 16 Placement | Means the issue of 250,000,000 Shares to sophisticated and professional investors at a price of A\$0.004 (£0.002) per Share (210,00,000 issued 4 April 2016 and 40,000,000 on 8 April 2016) |
| Annual General Meeting or Meeting | means the annual general meeting of Shareholders convened for the purposes of considering the Resolutions to be held at 100 Walker St, North Sydney, NSW, 2060 on Tuesday 17 May 2016 at 10.00am. |
| Annual Report | means the report to Shareholders for the year ended 31 December 2015 which is available on the Company's website www.metminco.com.au |
| Auditor's Report | means the Auditor's Report forming part of the Report to Shareholders. |
| ASX | means Australian Stock Exchange Limited (ACN 008 624 691). |
| Board | means the board of Directors of the Company. |

| | |
|------------------------------------|--|
| Closely Related Party | of a member of KMP means: (a) a spouse or child of the member of KMP; (b) a child of the member of KMP's spouse; (c) a dependent of the member of KMP or of the member of KMP's spouse; (d) anyone else who is one of the member of KMP's family and who may be expected to influence the member of KMP, or be influenced by the member of KMP, in the member of KMP's dealings with the Company; (e) a company that the member of KMP controls; or (f) a person prescribed by the <i>Corporations Regulations 2001</i> (Cth) to be a closely related party. |
| Company | means Metminco Limited (ACN 119 759 349). |
| Constitution | means the constitution of the Company. |
| Corporations Act | means <i>Corporations Act 2001</i> (Cth). |
| Consideration Shares | means 350,000,000 Shares to be issued on settlement to RMB at a deemed price of A\$0.005 per Share forming part of the consideration for acquisition of Minera Seafield |
| Director | means a director of the Company. |
| Directors' Report | means the Directors' Report forming part of the Report to Shareholders. |
| Exclusivity Fee | means 50,000,000 Shares issued to RMB at a deemed price of A\$0.005 per Share forming part of the consideration for acquisition of Minera Seafield on 29 March 2016 |
| Explanatory Memorandum | means the Explanatory Memorandum accompanying the Notice of Meeting. |
| Financial Report | means the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, notes comprising a summary of significant accounting policies and other explanatory information of the consolidated entity comprising the Company and the entities it controlled forming part of the Report to Shareholders. |
| HOA or Heads of Agreement | means binding heads of agreement between Metminco and RMB in relation to the purchase by the Company of Minera Seafield |
| KMP | means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company, and as disclosed as such in the Remuneration Report. |
| Listing Rules | means the listing rules of ASX. |
| Los Calatos Project | means the Company's wholly owned copper molybdenum project located in southern Peru |
| Metminco | means Metminco Limited (ACN 119 759 349). |
| Minera Seafield | means Minera Seafield SAS owner of the Quinchia Gold Portfolio |
| Mollacas Project | means the Company's wholly owned copper leach project located in central Chile |
| Nov 15 Placement | Means the issue of 250,000,000 Shares to sophisticated and professional investors at a price of A\$0.00433 (£0.002) per Share on 9 November 2015 |
| Non-Executive Director | means a non-executive Director of the Company. |
| Notice of Meeting or Notice | means the notice of meeting which accompanies the Explanatory Memorandum. |
| Quinchia Gold Portfolio | means 6,043Ha of granted concessions and an additional 3,792Ha of pending applications, and contains a number of deposits and exploration targets including Miraflores, Dosquebradas and Tesorito |
| Remuneration Report | means the Remuneration Report forming part of the Report to Shareholders. |
| Report to Shareholders | means Report of the Company for the year ended 31 December 2015. |
| Resolution(s) | means a resolution referred to in the Notice. |
| RMB | means RMB Australia Holdings Limited |
| Share or Shares | means a fully paid ordinary share(s) in the capital of the Company. |
| Shareholder | means a holder of fully paid ordinary shares in the capital of the Company. |
| Sydney time | means date and time in Sydney, Australia. |
| VWAP | means volume weighted average price |

Dated: 12 April 2016

METMINCO LIMITED

ABN 43 119 759 349

AND ITS CONTROLLED ENTITIES

ANNUAL REPORT FOR THE YEAR ENDED

31 DECEMBER 2015

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CHAIRMAN'S LETTER

Dear Shareholder,

At the time of writing, the resources sector is entering its fifth year of depressed markets. Base metal prices have continued to weaken and copper, which until the beginning of 2015 had fared relatively well, has since then seen a steady erosion of prices to the \$2.20/lb level. The principal reason for this malaise has been falling metal demand caused by glacial global economic growth and specifically a slowing of the Chinese economy. In recent weeks, world copper inventories have started to decline indicating that the market has been brought into balance. Whilst it may be too early to pronounce the bottoming out of the copper price cycle, this is an encouraging indicator.

Over the past couple of months, there has been a recovery in the gold price from \$1,040 at the start of the year to above the \$1,200 per ounce level and gold development companies have been able, to a limited degree, to gain access to capital markets..

The Company has had to maintain very tight budgetary disciplines to conserve its slender financial resources. Despite these constraints, it has, however, been able to make significant progress in a number of areas.

In March 2016, the Company signed a Heads of Agreement with Rand Merchant Bank to acquire the Quinchia Gold Portfolio ("Quinchia") in Colombia, where a NI 43-101 mineral resource of 2.8 million ounces of gold has been estimated. Quinchia covers an area of 6,043Ha of granted concessions, and an additional 3,792Ha of pending applications, and contains a number of deposits and exploration targets including the near term development opportunity at the Miraflores deposit, the Dosquebradas deposit where an Inferred Mineral Resource has been estimated, and a significant gold porphyry target at Tesorito. The Miraflores deposit, which is technically and financially robust at a gold price of US\$1200 per ounce, has an estimated mineral resource of 1.88 million ounces of gold and 3.8 million ounces of silver. It moreover, has the potential to be brought into production in the short term following the completion of a Bankable Feasibility Study and permitting.. Adjacent to Miraflores is a drill ready gold/copper porphyry system identified at Tesorito. The acquisition of Quinchia is the realisation of your Company's stated strategy of seeking near term production opportunities to provide the Company with a sustainable cash flow.

In parallel, at Los Calatos in Peru, we completed a conceptual mining study aimed at evaluating the possibility establishing a high grade mining option. . The mining study returned favourable results, with a significant reduction in initial capital spend for project development and a much improved NPV and IRR of US\$447 million and 17% respectively for the project. The TD2 target, which is located in a similar structural setting to the known Los Calatos resources, comprises a drill ready target with for which the requisite permits have been finalised. To-date, one drill hole has been completed, for which the analytical results are awaited.

We have continued to seek a strategic solution to the need to finance Los Calatos through to the completion of a Feasibility Study. The completion of the high grade mining study has been an important element in this search. Over the course of the past year, a number of companies have executed Confidentiality Agreements and entered the data room. We remain in an active dialogue with several of them with the objective of identifying a funding partner and concluding a joint venture agreement. The Board will not, however, conclude any such agreement which is not of material benefit to our shareholders.

On a less positive note, Metminco received an adverse judgement from the Supreme Court of Chile regarding our Mollacas Project. This judgement sustained an earlier ruling by the Appeal Court in La Serena that Metminco would require an agreement with the landowner to gain access for mining purposes. The Company is currently assessing its position with respect to this ruling. It should be emphasised that this ruling neither invalidates our title to Mollacas nor renders it worthless.

As I observed last year, depressed conditions in base metal mining markets have rendered it particularly difficult for exploration and development companies to finance themselves particularly if they lack cash generative assets. Nevertheless, Metminco has, over the past year, been able to sustain itself by accessing equity markets on a number of occasions, albeit at the cost of dilution. These included a rights issue to shareholders in April 2015 which, with the placement of the shortfall, was fully subscribed and a number of small equity placements. The Directors have supported the Company's growth plans with all Directors taking up their entitlement in the rights issue in part or in full, exercising their options and subscribing for the placements. In March 2016, we successfully completed a further placement of A\$1 million to UK investors.

In summary, we have survived this year with our 100% owned Los Calatos asset intact and with a new and more economically viable development plan. Although the development of the Mollacas project has been indefinitely delayed, we retain 100% ownership and continue to seek ways of bringing it to value. We have embarked upon an exciting diversification with the acquisition of Quinchia and look forward to the completion of this transaction in the near future. It has been a very difficult and demanding year and I would like to thank my colleagues on the Board and our management and staff for responding so well to these challenges.

Tim Read
Chairman

CORPORATE GOVERNANCE STATEMENT

The Company's Directors and management are committed to conducting the business of Metminco Limited and its controlled entities (the **Group**) in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) (**Recommendations**) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (**Corporate Governance Statement**).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on Metminco's website (www.metminco.com.au) (the **Website**), and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will identify each Recommendation that needs to be reported against by Metminco, and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters and policies are all available on the Website.

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 2015.

Directors

The following persons held the office of director at any time during or since the year ended 31 December 2015 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\$49,070,767 after providing for income tax (31 Dec 2014: loss of A\$12,922,938).

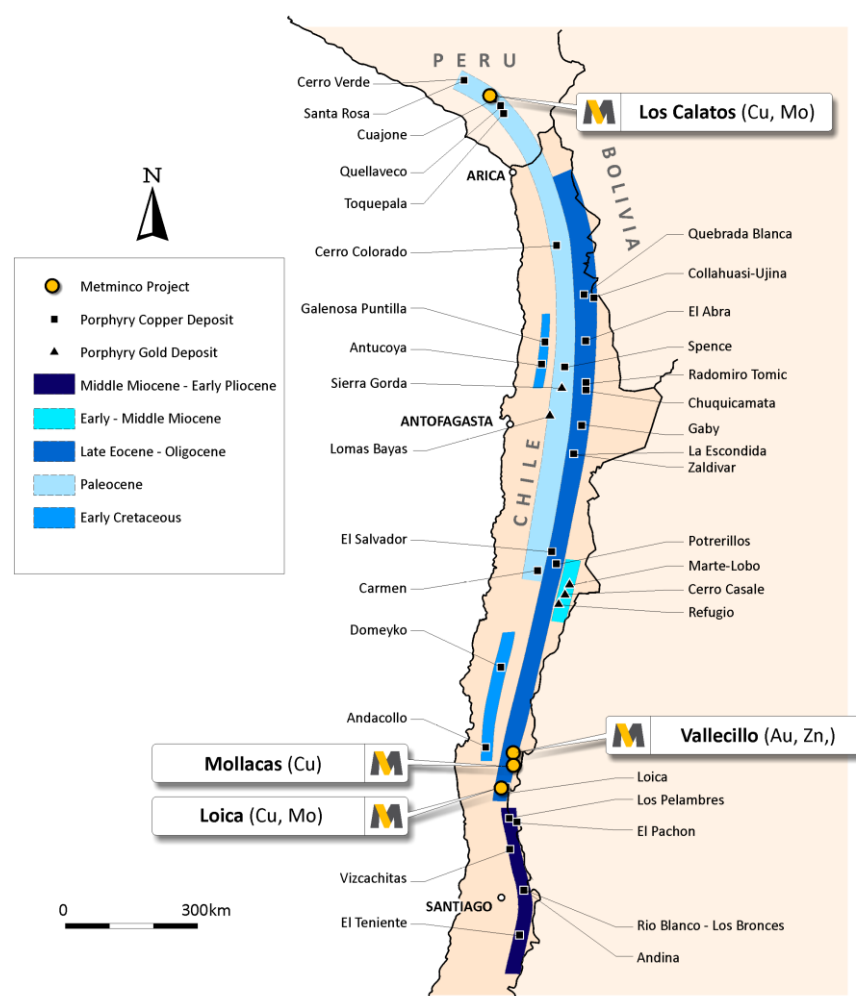
DIRECTORS' REPORT

Operations Report

Overview

Since establishing a presence in South America in mid-2005, Metminco has built an asset base comprising two potential development opportunities (the Los Calatos and Mollacas projects) 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 ("Mollacas" or "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). A planned Feasibility Study and Environmental Impact Study has been delayed pending the 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 ("Los Calatos" or "the Project") which has the potential to be developed as either a large scale low grade mining operation, or a smaller scale higher grade operation. Following the completion of an updated mineral resource estimate by SRK Consulting (Chile) S.A. ("SRK") in June 2015, RungePincockMinarco ("RPM") undertook a Strategic Mining Study, which was completed in August 2015 ("Strategic Mining Study"). The Strategic Mining Study was conducted at a conceptual level with the objective of evaluating Los Calatos as a high grade, low tonnage, mining operation with the objective of improving head grades and reducing capital expenditure. Of the three mining options that were reviewed, a sub-level cave

DIRECTORS' REPORT

mining operation with an annual production rate of 6.5Mtpa producing an estimated 50,000 tonnes of copper in concentrate per annum over a life of mine of 22 years was selected.

Corporate Strategy

Production and Cashflows

Further to the development strategy reported in 2014, the Board has continued to review Metminco's development strategy in light of the challenges facing the Company in terms of the status of its two key assets, its cash reserves and the downward pressure on commodity prices.

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 was envisaged that this production target would be achieved by developing the Mollacas and Los Calatos projects in combination with the acquisition of projects that meet specific project selection criteria. One of the key criteria in considering an acquisition opportunity is the ability to generate an after tax attributable free cash flow in excess of US\$15 million per annum within a period of two years.

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 was void. Metminco subsequently pursued the granting of land access rights to the Mollacas Project through the Supreme Court and the Constitutional Tribunal. In January 2016 the Supreme Court upheld the ruling by the Court of Appeal, which now precludes access by MHC for mining purposes. Accordingly, the planned Feasibility Study and Environmental Impact Study have been delayed indefinitely, pending the outcome of discussions with the surface title owner.

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 by RPM in 2013. However, in late 2014 the decision was made to evaluate an alternative development scenario for Los Calatos as a high grade, lower tonnage operation that would focus 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, the results of which formed the basis of the Strategic Mining Study.

The delay in the development of the Mollacas Project will clearly impact on the Company's ability to achieve its planned production target. Hence, the Company has been reviewing acquisition opportunities in Australia and South America that would facilitate the attainment of the Company's planned copper production target and/or after tax annual free cash flow. Opportunities that have been reviewed have included both copper and gold, one opportunity of which is now at an advanced 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 its advisors, in developing funding strategies that will facilitate the attainment of the Company's future growth plans.

Reduction in operating costs

In view of the current market conditions, the Company continues to implement measures to minimise cash outflow whilst maintaining the integrity of the Company's key projects and technical skills. Cost saving measures implemented to-date include the rationalisation of operational structures in Australia, Chile and Peru, the conduct of limited exploration work at Los Calatos, and a substantial reduction in the salaries of senior management and the Board of Directors. All projects other than Los Calatos have effectively been placed on care and maintenance.

DIRECTORS' REPORT

LOS CALATOS PROJECT

Location and Access

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 2014. 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 175 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. During 2015 the requisite permits were secured to conduct exploration, one of which included a Modified Environmental Impact Assessment – Semi Detailed permit that permits high impact exploration to be conducted over a three year period commencing 28 April 2015.

Following the conclusion of a Mining Scoping Study by NCL Ingeniería y Construcción Ltda (“NCL”) in March 2013, a Mine Production Study by RPM in August 2013, and the Strategic Mining Study, the potential has been identified for Los Calatos to be developed as a low cost, long life, mining operation. Furthermore, with the designated status of a Project of National Interest by the Peruvian government, combined with the fact that there is no competing land usage and that seawater is planned to be used for metallurgical processing purposes, the Project is well placed for development within an investment friendly jurisdiction.

DIRECTORS' REPORT

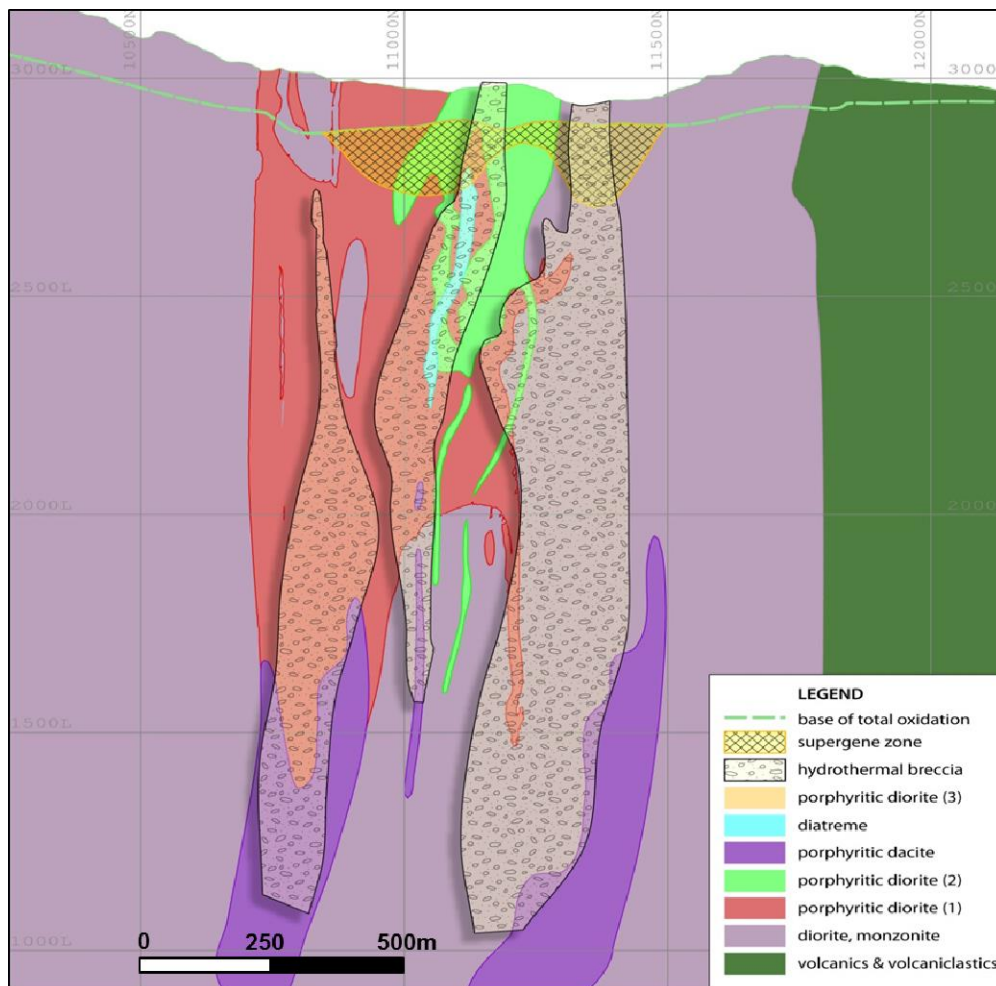
Mineral Resources

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 incorporates the drilling results from 134 drill holes totalling 125,376 metres, of which 103 drill holes intersected the interpreted mineralised unit.

In October 2014, the Company initiated a detailed core re-logging program that focused on mapping the lithologies, alteration types and structures that controlled the distribution of the higher copper and molybdenum grades developed within the Los Calatos Porphyry Complex. This significantly improved the understanding of the spatial and temporal development of the main geological components of the porphyry complex, and their effect on the nature and extent of the copper and molybdenum mineralisation.

The most significant development was the delineation of a series of laterally and vertically persistent hydrothermal breccias, which host the high grade copper and molybdenum mineralisation (Figure 3). Wireframe modelling of the bounding surfaces of these zones was used to constrain the high grade mineralisation associated with the breccias for resource estimation purposes. It is important to note that these zones fall within the confines of the more generalised constraining wireframes that were used for the 2013 Mineral Resource Estimate.

Figure 3: Geological Section 10350 E (Looking West) showing vertical extent of the hydrothermal breccias.



As outlined in Figure 3, the hydrothermal breccias extend from the surface to depths in excess of 1,800 metres. While the associated copper mineralisation has been leached by weathering processes from the uppermost ± 50 metres, it has been remobilised through supergene enrichment processes into a supergene zone which extends to depths ranging from 50 metres to 350 metres below surface. The supergene zone extends deeper within the more permeable breccias, resulting in significant copper grades associated with chalcocite mineralisation.

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A 3-D Geological Model was constructed for the Los Calatos Porphyry Complex on the basis of the detailed geology, which incorporated lithology, alteration type and structure (breccias) that developed in response to an evolving porphyry system. The model, and the supporting drill hole dataset, was provided to SRK to produce an updated mineral resource estimate in accordance with the guidelines of the JORC Code, 2012 Edition.

At a cut-off grade of 0.50% Cu, the Measured and Indicated Mineral Resource is 137 million tonnes at 0.73% Cu and 434 ppm Mo, with an Inferred Mineral Resource of 216 million tonnes at 0.78% Cu and 244 ppm Mo (Table 1).

Table 1: Mineral Resource Statement* for the Los Calatos Copper - Molybdenum Project, Peru. SRK Consulting (Chile) S.A., June 15, 2015.

| Resource Classification | Tonnage (metric) | Cu (%) | Mo (ppm) |
|---------------------------------------|--------------------|--------------|--------------|
| Measured | 72,824,639 | 0.734 | 512.9 |
| Indicated | 63,700,257 | 0.733 | 344.8 |
| Total Measured & Indicated | 136,524,896 | 0.734 | 434.5 |
| Inferred | 215,769,978 | 0.776 | 244.5 |

* Reported at a cut-off of 0.50% copper.

RPM Strategic Mining Study (Expansion Case)

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.

The 2013 Mine Production Study ("2013 Study") completed by RPM evaluated Los Calatos as a high tonnage, low grade, mining operation with an average annual milling rate of 24Mtpa producing 98.4kt per annum of copper in concentrate over a Life of Mine ("LoM") of 34 years, with a pre-production capital spend of US\$1.32bn (2013 money terms). Further, the Life of Mine C1 cash operating costs net of by-product credits were estimated at US\$1.12/lb copper.

This was followed by the 2015 study conducted by RPM, which focussed on the high grade hydrothermal breccias developed within the Los Calatos Porphyry Complex. The Strategic Mining Study provides for an annual milling rate of 6.5Mtpa (27% of the 2013 Study milling rate) producing 50kt per annum of copper in concentrate (50% of the 2013 Study production) over a 22-year Life of Mine, with a pre-production capital spend of US\$655m (50% of the 2013 Study pre-production capital spend). Further, C1 cash operating costs after by-product credits increased marginally to US\$1.29/lb.

Estimation of a Mineable Quantity

The basis for the work completed by RPM was the 2015 Mineral Resource Estimate completed by SRK and the associated 3D Block Model.

RPM were provided with specific guidelines by Metminco pertaining to the production target, namely a copper in concentrate annual production rate of 50,000 tpa at a milling rate of 6.0 to 6.5Mtpa. By implication, this required the application of a high cut-off grade of 0.70% Cu to 0.75% Cu, and a more selective mining method by comparison to the block caving method proposed for the larger 2013 Study.

Having evaluated a number of mining methods, RPM recommended the application of a sub-level cave mining method, using the design criteria summarised below:

- 25 metre sub-level spacing;
- 25 metre long stopes;
- Minimum stope width of 10 metres;
- Maximum stope width of 50 metres;

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- Minimum waste pillar width of 10 metres; and
- Minimum footwall / hangingwall angle of 60 degrees.

These criteria, in combination with defined mining, processing, realisation and capital costs, as well as metal recovery factors and long term consensus commodity prices, formed the basis of a stope optimisation process using Vulcan Stope Optimiser at cut-off grades of 0.70% and 0.75% Cu. This process in turn identified a spectrum of sub-level cave stopes over the depth interval 2,850mRL to 1,125mRL.

RPM then applied a High-level Underground Evaluation (HUGE) process, which interfaces with Vulcan Stope Optimiser to identify underground mining limits, and for scheduling and economic modelling to define economic mining limits. As a consequence, and using sub-level caving, the economic depth to which underground mining could potentially take place for the 0.70% Cu cut-off was the 1,300mRL.

In order to derive an estimated mineable quantity, modifying factors were subsequently applied to the sub-level cave tonnes and grade, as indicated below:

- Mining losses: 10%
- Dilution: 20%

Due to the level of the Strategic Mining Study, RPM applied a 20% dilution factor to the sub-level cave stopes based on their experience in modelling sub-level cave mining operations. The dilution was ascribed a constant grade of 0.43% Cu and 317ppm Mo based on the Grade Tonnage table for the breccia units, this being attributable to the fact that the design of the stopes is largely restricted to the confines of the breccias. It is probable that the mining dilution can be reduced with an improved understanding of the caving characteristics of the breccia, the latter of which will be facilitated by the morphology of the breccias.

On this basis, RPM estimated a mineable quantity for the 0.70% Cu cut-off grade scenario, known as the Expansion Case, as summarised in Table 2 below.

Table 2: Estimated Mineable Quantity – Expansion Case.

| Mineral Resource Classification | Mt | Cu % | Mo % |
|---------------------------------|--------------|--------------|---------------|
| Measured | 26.8 | 0.85 | 0.054 |
| Indicated | 24.0 | 0.83 | 0.040 |
| Inferred | 83.5 | 0.92 | 0.028 |
| Mineable Quantity | 134.3 | 0.89% | 0.036% |

Note: Cut-off grade of 0.70% Cu.

The conversion rate from mineral resources to tonnes mined at a cut-off grade of 0.70% Cu is approximately 85% (or 134Mt from a total mineral resource of 158Mt). Given an increasing copper price, there is considerable upside to increase the size of the mineable quantity. For instance, at a lower copper cut-off grade of 0.50% copper, the total mineral resource for Los Calatos is 352Mt at 0.76% Cu and 318ppm Mo (Appendix 1).

It must be emphasised, however, that the Strategic Mining Study is based on a low-level technical and economic assessment with an accuracy level of $\pm 50\%$, which is insufficient to support the estimation of Ore Reserves, or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Strategic Mining Study will be realised.

Production Profile

A production profile was constructed for the Expansion Case based on a steady state production (and milling) rate of 6.5Mtpa (Figures 4 and 5).

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Figure 4: Expansion Case - Annual production rate and head grade.

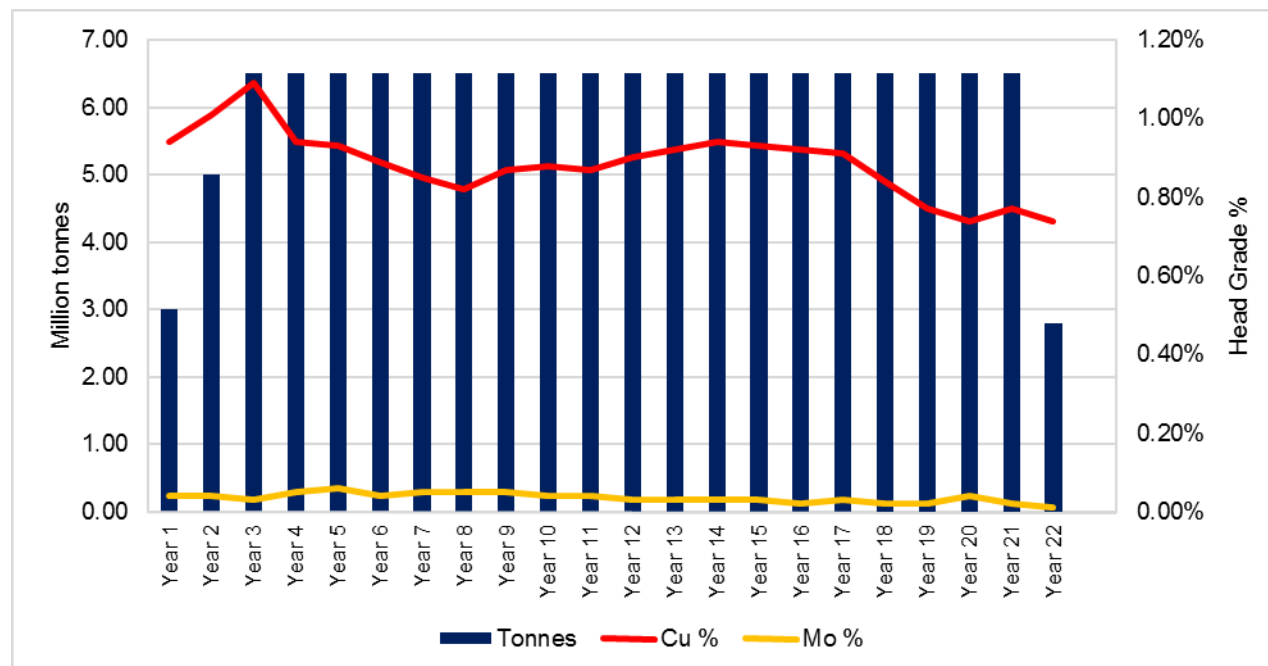
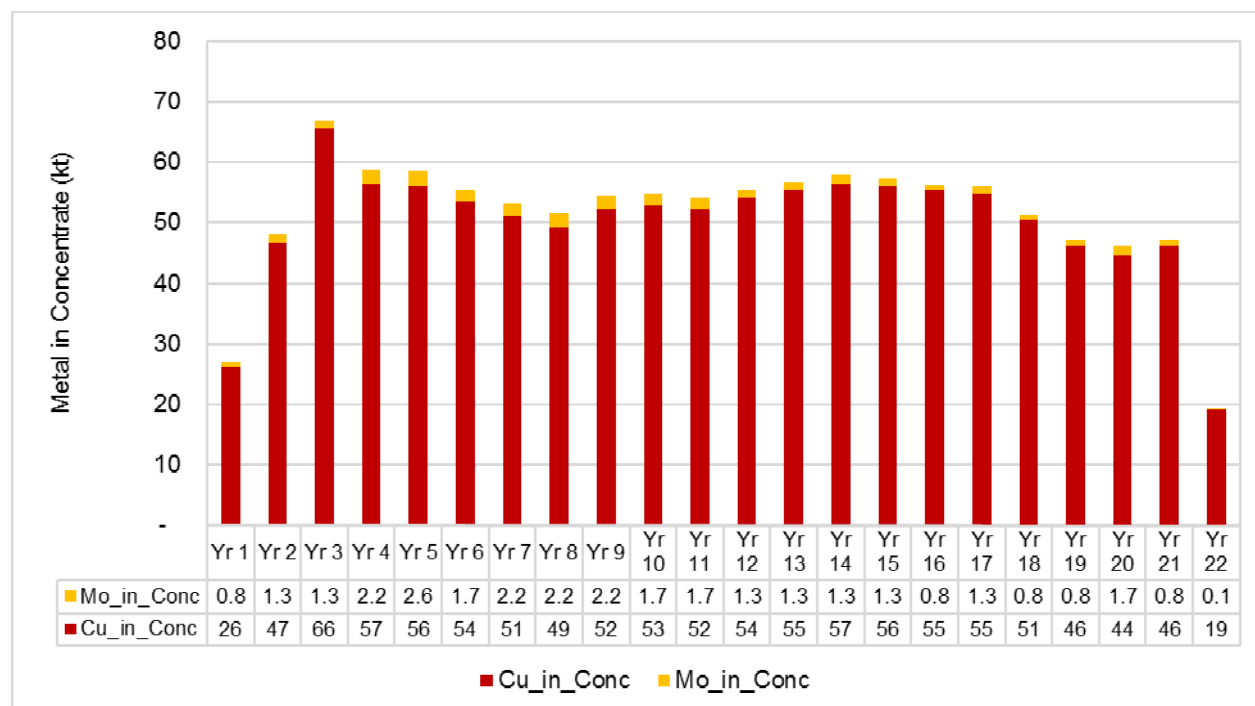


Figure 5: Expansion Case – Annual copper and molybdenum production in concentrate.



Key aspects of the production profile are as follows:

- Pre-production period: 18 to 24 months
- Two decline systems: Access high grade supergene material at an initial depth of 150 metres below surface

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- Year 1: Production rate of 3Mtpa
- Year 2: Production rate of 5Mtpa
- Year 3: Production rate of 6.5Mtpa
- Years 3 to 21: Steady State at 6.5Mtpa
- Copper Production: Peaks in Year 3 at 65,500t Cu in Concentrate

Conceptual Mine Design

The high grade copper and molybdenum mineralisation occurs within three well defined breccia units, although from a mining perspective there are two geographic areas which contain the majority of the mineralisation in both a lateral and vertical sense. For this reason, two decline systems have been proposed to access these areas, known as the eastern and western declines.

Two conceptual designs have been proposed, the key difference being that one design has a central vertical shaft system in addition to the eastern and western declines, whereas the alternate design provides for a central decline / conveyor system. Although preliminary cost estimates have been determined for the designs, a detailed trade-off study has yet to be completed. As such, a contingency of approximately 25% of total mine capital has been provided.

Design 1

- Eastern and Western Declines: Extends from surface to the 2,450mRL
- Central Conveyor System: Extends from the 2,500mRL to the 1,300mRL

Design 2

- Eastern Decline: Extends from surface to the 2,175mRL
- Western Decline: Extends to the 2,300mRL
- Central Vertical Shaft System: Extends from surface to the 1,300mRL

Regional Infrastructure

Over the period 2012 to 2014, Poch y Asociados Ingenieros Consultores S.A. ("POCH") conducted a number of studies on Los Calatos in terms of road access, power supply and the location of a water and concentrate pipeline to the coast, for which capital and operating costs were estimated.

These costs, excluding the provision for a concentrate pipeline, have formed the basis of the cost estimates used for the Expansion Case. The concentrate is planned to be transported via road to Matarani Port, for which transport, loading and ocean freight costs have been estimated.

As the POCH work was based on a larger mining operation of ± 24 Mtpa (by comparison the planned 6.5Mtpa), the opportunity exists to optimise the operating and capital costs further.

Operating Costs and Capital Expenditure

The operating and capital costs were estimated by RPM to a +/- 50% accuracy level, with supporting information for infrastructure (road, power, water), processing recovery rates, smelting and refining charges and selling costs having been provided by Metminco.

The estimated operating and capital costs for the Expansion Case are summarised in Tables 3 and 4 respectively.

As can be seen from Table 3, the C1 Cash Operating Cost after by-product credits is US\$1.29/lb, which compares favourably with other global copper producers and/or projects.

Table 3 indicates an estimated total life of mine capital expenditure of US\$1,043 million, comprising US\$655 million of pre-production capital and US\$388 million sustaining capital. With a capital intensity of US\$13,100/t annual copper production, Los Calatos compares favourably with other global copper projects.

DIRECTORS' REPORT**Table 3:** Total Operating Costs and Unit Operating Costs.

| Total Operating Costs | |
|---|----------------------|
| Item | US\$/t milled |
| Mining | 14.27 |
| Milling | 6.05 |
| G&A | 1.34 |
| Subtotal – On Site | 21.66 |
| Treatment & Transport | 6.97 |
| Total Operating Costs | 28.63 |
| Unit Operating Costs | |
| Item | US\$/lb |
| C1 Cash Operating Cost | 1.69 |
| By-product credits | 0.40 |
| C1 Cash Costs after by-product credits | 1.29 |

Table 4: Estimated Capital Expenditure.

| Item | Initial Capex | Sustaining Capex | Total Capex |
|------------------|----------------------|-------------------------|--------------------|
| Underground | 58.1 | 335.0 | 393.1 |
| Plant | 149.9 | 33.3 | 183.2 |
| Infrastructure | 216.2 | 19.9 | 236.1 |
| Indirect Costs | 83.6 | | 83.6 |
| Contingencies | 111.7 | | 111.7 |
| Owners Costs | 27.6 | | 27.6 |
| Land Acquisition | 8.0 | | 8.0 |
| Total | 655.1 | 388.2 | 1,043.3 |

Indicative Life of Mine (LoM) Financial Model - Results

Financial modeling of the Expansion Case was conducted by Metminco based on the financial and production data provided by RPM.

The financial model supports the potential development of Los Calatos as a high grade mine producing on average 50kt per annum of copper in concentrate over a LoM of 22 years, with an estimated C1 cash operating cost of US\$1.29/lb copper (net of by-product credits), a NPV at 8% (ungeared) of US\$447 million, and an IRR (ungeared) of 16.6%.

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Key operating parameters and financial returns for the Expansion Case, based on the planned production / milling rates and operating and capital cost estimates are summarized in Table 5 below.

Table 5: Key Operating Parameters and Financial Returns – Life of Mine.

| Economic Analysis | Units | Amount |
|--|----------------------|---------------|
| Mine Physicals | | |
| Milled Grade Cu | % | 0.89% |
| Recovery | % | 92.50% |
| Milled Grade Mo | % | 0.036% |
| Recovery | % | 68.00% |
| Mineable Quantity | Mt | 134.3 |
| Production Rate | Mtpa | 6.5 |
| Life of Mine | Years | 22 |
| Product | | |
| Copper in Concentrate | Kt | 1,101 |
| Payable Copper | Kt | 1,062 |
| Payable Molybdenum | Kt | 28 |
| Gold | Koz | 106 |
| Silver | Koz | 1,699 |
| Rhenium | (000's kg) | 17 |
| Commodity Prices ¹ | | |
| Copper Price | US\$ per lb | 3.00 |
| Molybdenum Price | US\$ per lb | 11.15 |
| Gold Price | US\$ per oz | 1,250 |
| Silver Price | US\$ per oz | 19.00 |
| Rhenium Price | US\$ per kg | 5,773 |
| Revenue | | |
| Copper | US\$ million | 7,031 |
| Molybdenum | US\$ million | 678 |
| Other Commodities | US\$ million | 262 |
| Total Revenue | US\$ million | 7,971 |
| Operating Costs | | |
| Mining | US\$ million | 1,917 |
| Milling | US\$ million | 813 |
| G&A | US\$ million | 180 |
| Treatment & Transport | US\$ million | 936 |
| Subtotal - Operating Costs | US\$ million | 3,845 |
| Unit Operating Cost ² | US\$/t milled | 28.63 |
| Royalties | US\$ million | 305 |
| Cash Flow | | |
| EBITDA | US\$ million | 3,820 |
| Capital Expenditure ³ | US\$ million | 1,043 |
| Unlevered Cash Flow (before tax) | US\$ million | 2,541 |
| Unlevered Cash Flow (after tax) | US\$ million | 1,774 |
| Net Present Value @ a 8% discount rate (ungeared) | US\$ million | 447 |
| IRR (ungeared) | % | 16.6 |
| Payback | Years | 4.85 |

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- ¹ Street Consensus long term commodity prices used (circa median price beyond 2019) sourced from BMO, encompassing up to 40 Institutions: Copper US\$3.00/lb; Au US\$1,250/oz; Ag US\$19/oz; Mo US\$11.16/lb; Re US\$5,773/kg (Re price from MNC).
- ² C1 Cash Operating Cost after by-product credits of US\$1.29/lb Cu.
- ³ Pre-production capital expenditure of US\$655 million.

Under the Expansion Case, Los Calatos becomes an attractive development option in a resource sector that is focused on minimising capital spend, attaining above average copper grades, and achieving C1 cash operating costs in the lower quartile of global copper producers.

Exploration Potential

Based on the detailed re-logging program that was conducted on the Los Calatos drill core in late 2014 and early 2015, a comprehensive geological model was developed that not only formed the basis for the June 2015 Mineral Resource Estimate, but contributed to developing an improved understanding of the evolution of the Los Calatos Porphyry Complex and associated mineralisation. This improved understanding has had a significant, positive, effect on the understanding of the exploration potential of those exploration targets immediately adjacent to the known Los Calatos deposit.

The geological events that culminated in the development of the Los Calatos Porphyry Complex in terms of the magmatic phases identified and the associated stages of mineralisation are summarised below as follows:

Magmatic Phases

Five magmatic phases have been identified, namely:

- Phase 1: Emplacement of a series of pre-mineralisation fine to medium-grained sub-volcanic igneous intrusives of varying composition - collectively termed the "pre-cursor pluton" (**PP**);
- Phase 2: First porphyritic phase (**PDI-1**) with associated Cu mineralisation and a second porphyritic phase (**PDI-2**), devoid of mineralisation, which intruded prior stocks and intrusives;
- Phase 3: Polyphase intrusion of porphyritic dacites (**PDA-1**) including the development of the high grade anhydrite breccias and culminating in phreatomagmatic events with the formation of Maar diatremes;
- Phase 4: Late stage porphyritic diorite (**PDI-3**) which is largely restricted to the diatreme breccia. Minor development of mineralised anhydrite breccias; and
- Phase 5: Final magmatic phase characterised by the intrusion of sub-vertical andesitic and minor mafic dykes.

Stages of mineralisation

Four main stages of Cu and Mo mineralisation have been recognised at Los Calatos, as summarised below:

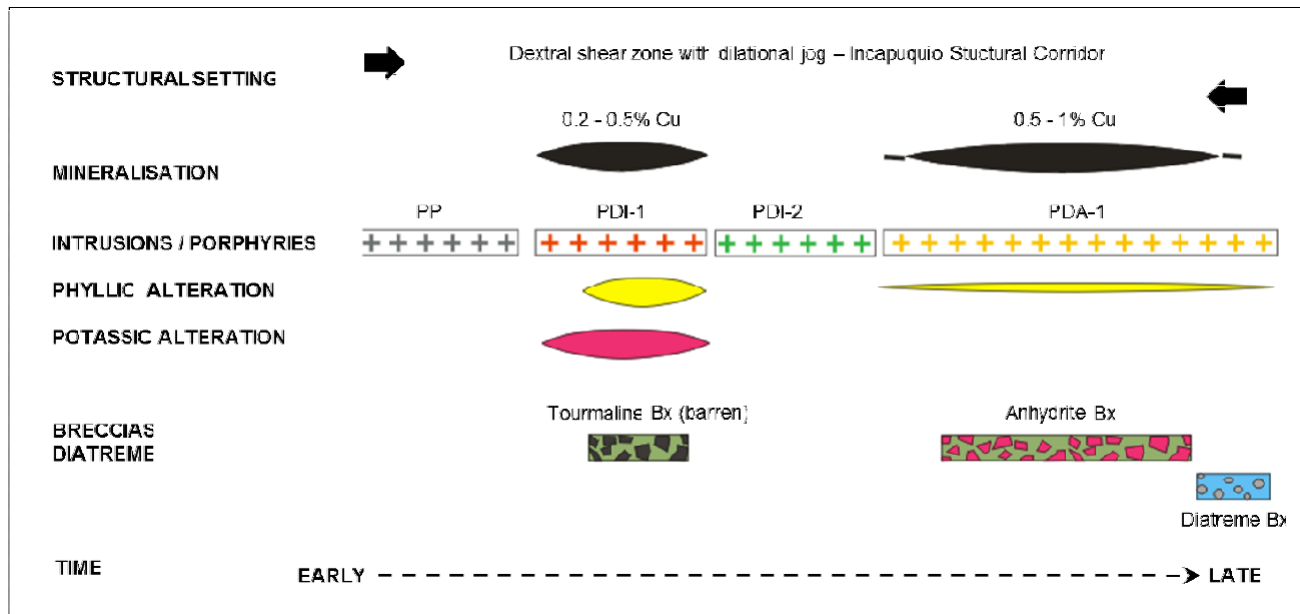
- Stage 1: Porphyritic diorite mineralisation (**PDI-1**): Potassic core of the PDI-1 unit is consistently mineralised at 0.2% to 0.5% Cu;
- Stage 2: Porphyritic dacite mineralisation (**PDA-1**): Development of high grade Cu-Mo anhydrite breccias that are rooted within elongated PDA-1 stocks formed in response to dilational brecciation caused by trans-tensional shearing;
- Stage 3: Porphyritic diorite mineralisation (**PDI-3**): Cu-Mo mineralisation is hosted by small anhydrite breccia bodies flanking the PDI-3 dykes; and
- Stage 4: Supergene enrichment: Supergene enrichment only impacts on the anhydrite breccia bodies that either reach surface, or are near to the surface. The vertical extent of the supergene zone varies between 150 metres and 350 metres.

Chronology – Magmatic phases and mineralisation stages

Figure 8 below graphically represents the development of the main magmatic phases of the Los Calatos Porphyry Complex, and associated hypogene stages of mineralisation.

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Figure 8: Schematic representation – development of the Los Calatos Porphyry Complex and associated mineralisation.



Key Components of the Los Calatos Porphyry Complex from a mineralisation perspective

The regional and local structural setting has been of fundamental importance in the location and development of the Los Calatos Porphyry Complex. The regional structure is dominated by the Incapuquio Structural Corridor that hosts the major porphyry Cu-Mo deposits in southern Peru. In the context of Los Calatos, this resulted in a dextral shear zone with the development of a transtensive jog that controlled the emplacement of the various magmatic phases identified.

From a mineralisation perspective, and with reference to Figure 8, the Porphyritic Diorite (PDI-1) and Porphyritic Dacite (PDA-1) host the majority of the Cu-Mo mineralisation, with the former being more extensive, but hosting lower grades in the range 0.2 to 0.5% Cu. However, the PDA-1 is most important from an economic perspective, as it resulted in the development of the higher grade (0.50% to 1.0% Cu) hydrothermal (anhydrite) breccias.

The first phase of porphyritic dacites (PDA-1) was accompanied by de-volatilisation, which led to the formation of extensive, vertical, anhydrite breccias with high Cu and Mo grades. As the dacite porphyry evolved into a multi-staged diatreme breccia, some of the late stage porphyritic dacites rose sufficiently close to the paleosurface culminating in phreatomagmatic events with the formation of diatremes.

Therefore, from an exploration point of view, any potential target should have one or more of the following key components present:

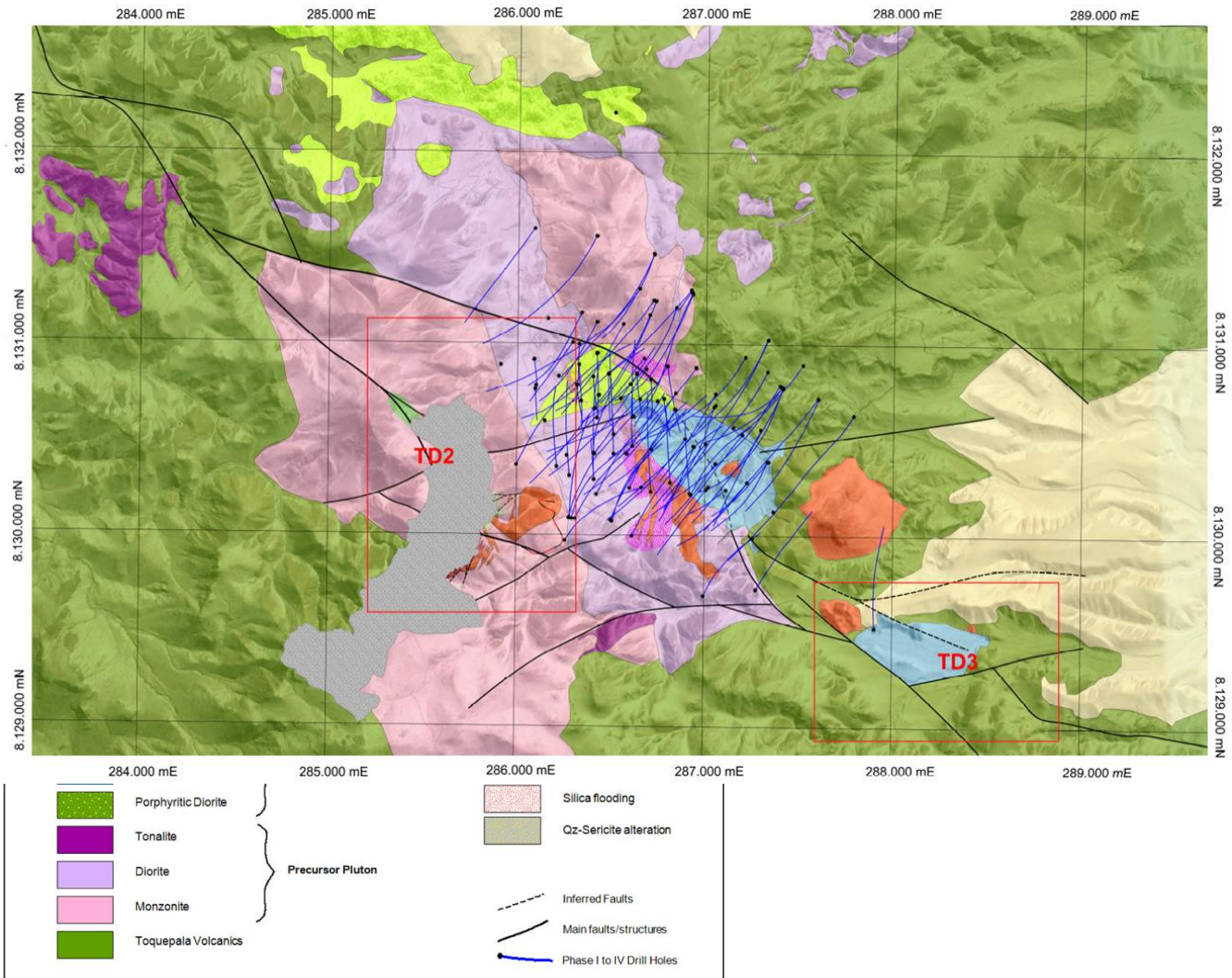
- Located within a wrench fault system with associated dilational jogs;
- Geochemical anomalies (Cu, molybdenum, gold and silver);
- Geophysical anomalies (magnetotelluric resistivity and induced polarity anomalies [viz. sub-surface conductors]);
- Phyllic alteration;
- Porphyritic dacites;
- Hydrothermal breccias; and
- Diatreme breccia

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Exploration Targets TD2 and TD3

Two priority targets, namely TD2 and TD3 (Figure 9) were the subject of detailed surface geological mapping programs conducted in late 2015, which resulted in the identification of many of the pre-requisites for mineralisation as discussed above.

Figure 9: Geological Map showing position of the TD2 and TD3 Target areas.



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TD2 Target

As can be seen from Figure 9, the TD2 Target is located to the southwest of the main Los Calatos deposit on a 'structural bend' of the southernmost bounding fault that constrains the extent of the Los Calatos Porphyry Complex.

Whilst a large percentage of the target is covered by younger volcanic (Miocene) cover, surface mapping has identified the presence of porphyritic dacites and copper oxide within quartz tourmaline breccias, which occur within an older diorite pluton (viz. precursor pluton). The identified breccias occur over a strike extent in excess of 250 metres.

Soil geochemical sampling has identified a well-developed copper anomaly (>300ppm) related to the copper oxides developed within the quartz tourmaline breccia.

In 2010 a Titan-24 geophysical survey was completed over parts of the Los Calatos Project area. Two of these lines (L10300W and L11100W) traverse the TD2 Target area which have identified sub-surface magnetotelluric anomalies that persist below the main Los Calatos deposit. There is also a ground magnetic anomaly that is coincident with both the Los Calatos deposit and TD2 Target.

Hence, the TD2 Target shares many similarities with the key features that characterise the Los Calatos Porphyry Complex, which in turn supports the basis for the planned drilling program.

Following the extended Christmas break in Peru, a drill rig was mobilised which commenced drilling on 16 February 2016. A single drill hole has been scheduled to intersect the mapped breccia zone at a drill depth of ± 200 metres.

TD3 Target

The TD3 Target is located to the southeast of the main Los Calatos deposit, along the strike projection of the wrench fault system that controlled the emplacement of the Los Calatos Porphyry Complex (Figure 9).

The recent surface mapping program has identified the presence of porphyritic dacites and a diatreme breccia that have intruded the older andesites of the Toquepala Formation. Furthermore, an analysis of the soil geochemistry conducted over this area indicates the presence of anomalous Cu, Mo, Au and Ag soil geochemical values, while the geophysical survey (line L77000W) has identified a sub-surface MT anomaly.

In terms of the geological model developed for the main Los Calatos deposit, it was established that the diatreme breccia represents one of the final stages in the evolution of the Los Calatos Porphyry Complex, and more specifically of the porphyritic dacites that resulted in the development of the mineralised hydrothermal breccias. Hence, the presence of dacites and the diatreme breccia in conjunction with anomalous Cu values and a sub-surface geophysical (MT) anomaly (that persists to the northwest into the main Los Calatos deposit), supports the theory that the Los Calatos Porphyry Complex continues beyond the current interpreted limits into the TD3 Target area and southeast thereof.

The objective of any future drilling would be to establish the mineralisation potential of any breccias developed at the interface between the diatreme breccia and the older volcanics of the Toquepala Formation.

Objective of exploration drilling programs

The geological model that has been developed for Los Calatos has achieved two key outcomes, namely:

- a) The model has assisted in better constraining the high grade Cu and Mo mineralisation that would be the target of a low tonnage, higher grade, underground mining operation (viz. June 2015 Mineral Resource Estimate and RPM Strategic Mining Study)
- b) The model has resulted in the development of a useful exploration tool that would assist in defining exploration targets when used in conjunction with the exploration data that has been acquired over the period 2009 to present.

In the case of b) above, and with the definition of the TD2 and TD3 Targets, any drilling of the two targets would serve to confirm the applicability of the model as an exploration tool, and if successful, potentially lead to the identification of additional targets.

As has been reported previously, two mining studies have been completed over the period 2013 to 2015, evaluating two very different mining development opportunities at Los Calatos, namely;

- a high tonnage, low grade opportunity (± 24 Mtpa – open pit / underground block cave operation); and

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- a low tonnage, higher grade opportunity (± 6.5 Mtpa – underground sub-level cave operation).

With reference to Figure 8, it is important to note that the high tonnage mining scenario incorporates mineral resources associated with both the low grade PDI-1 and the higher grade PDA-1 phases, whereas the low tonnage scenario predominantly includes mineral resources from the PDA-1 phase.

Common to both of these mining studies is the fact that if additional mineral resources are identified in close proximity to the main Los Calatos deposit, particularly near surface (<500 metres), these mineral resources could have a significant (positive) impact on a centralised mining and processing operation at Los Calatos.

Project Is Highly Deliverable

The development of the Los Calatos Project is deliverable due to a number of important factors, namely:

Social Licence

- No exposure to local potable water issues.
- No competing land use.
- All surface rights covering the project will be acquired directly from the Peruvian government - Project of National Interest status.

Access to Power and Water

- Use of seawater for the operations – access via a 75km pipeline.
- Located in southern Peru with estimated long term power costs of 6 cents/kWh.
- Power to be accessed via a dedicated 32km power line from Moquegua.

Regional Infrastructure

- Modest elevation (2,900m amsl) capable of supporting year round operations.
- Close proximity to the regional city of Moquegua (65km).
- Large available work force in historical mining district.
- Close proximity to port facilities accessible via the Pan American highway (e.g. loading facility at Matarani).

Future Work

The drilling of the TD 2 Target will be run in parallel with the process of trying to secure a funding partner for the development of Los Calatos.

In the event of securing a funding partner, the Project will be advanced through pre-feasibility and feasibility, using the Expansion Case as its reference base .

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MOLLACAS PROJECT

Location and Access

The Mollacas Project, which occurs at an altitude of 1,500 metres above sea level, covers an area of 31 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

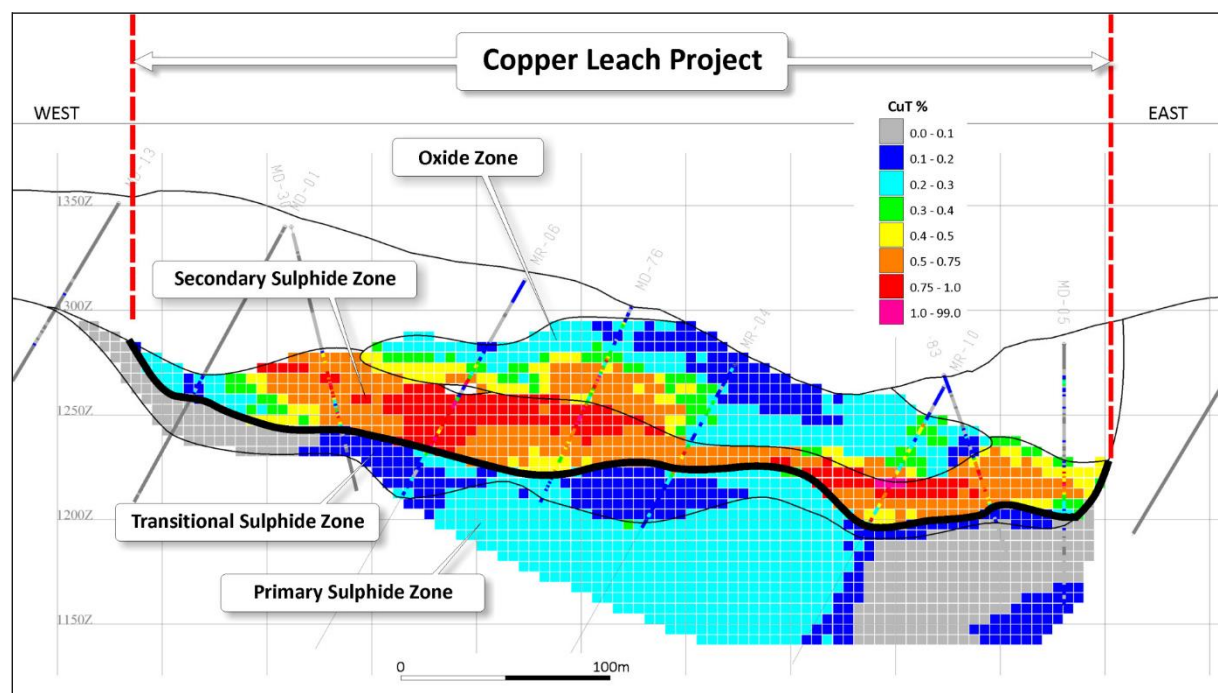
The Company holds title to 21 Exploitation Licences covering the Mollacas deposit and surrounding area, as well as 179 hectares of surface rights, the latter of which were acquired for the establishment of mine infrastructure such as the leach pads, processing plant, administration facilities and mine workshops. Importantly, Metminco owns the water rights to approximately 175 litres/sec from two canals which traverse the property. The estimated water usage for the planned mining operation is 40 litres/sec.

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 3) 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 10 represents an east-west section through the Mollacas Block Model showing the distribution of copper grades by mineralisation type.

Figure 10: East-West section through the Mollacas Block Model.



DIRECTORS' REPORT**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 6 below, which support the robust nature of the economics, and hence the decision to progress with a Feasibility Study and Environmental Impact Assessment.

Table 6: 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 |
| Financials | Units | Parameter |
| 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 |
| Project Economics (ungeared) | Units | Parameter |
| Project NPV (After Tax) @ 8.0% | US\$000 | 74,921 |
| IRR | % | 37.2 |
| Payback | Years | 2.44 |
| Project Economics (geared) | Units | Parameter |
| Interest Rate (US Labor + 4.5% per annum) | % | 6.30 |
| Gearing Ratio (Debt:Equity) | % | 70:30 |
| NPV (After Tax) @ 8% | US\$000 | 74,416 |
| IRR | % | 41.0 |
| Ave. Cathode Copper Price | US\$/lb | 3.10 |

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

DIRECTORS' REPORT

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, which was subsequently suspended due to legal problems pertaining to mining access rights.

Work that had been completed on the project in support of the planned Feasibility Study prior to the mining access rights being denied included 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.

Land Access

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

However, in March 2014 the Court of Appeal of the IV Region overturned a decision by a lower court granting access for mining purposes to Minera Hampton Chile Limitada ("MHC") (a wholly owned subsidiary of Metminco and owner of the project), that extinguished MHC's mining access rights (Figure 11).

Metminco subsequently pursued the granting of land access rights to the Mollacas Project through the Supreme Court and the Constitutional Tribunal.

In January 2016 the Supreme Court upheld the ruling by the Court of Appeal which now precludes access by MHC for mining purposes.

This ruling does not affect MHC's mining concession rights or the existing access rights that were previously granted for exploration.

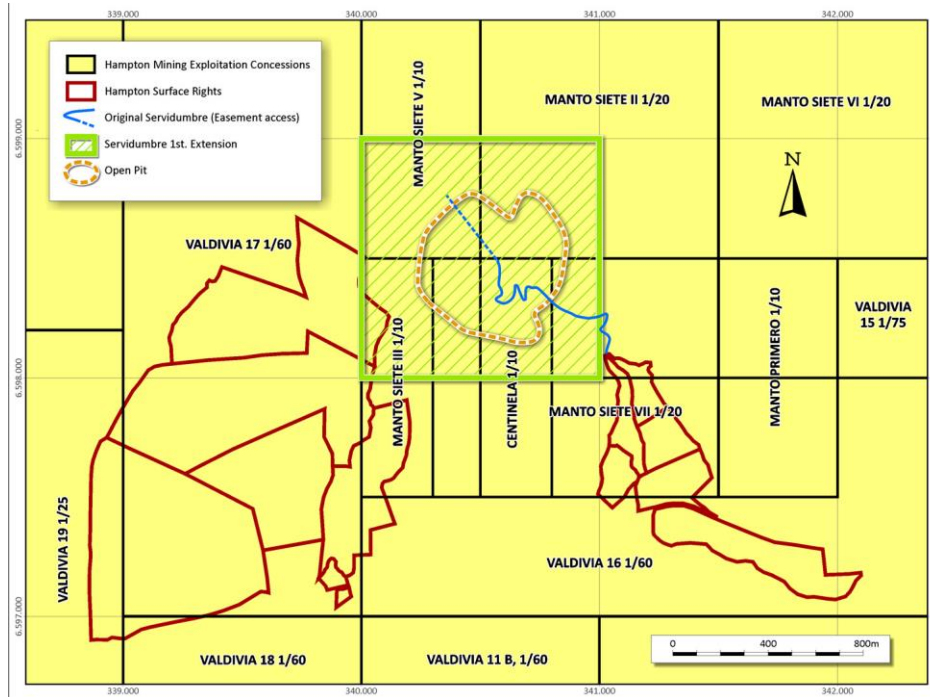
MHC and the Company will continue to evaluate other avenues to secure mining access to its Exploitation Concessions, including renewed discussions with the land owner.

Further Work

The Company does not plan to undertake any work during the forthcoming year.

DIRECTORS' REPORT

Figure 11: Mineral and surface rights held by Metminco.



The Vallecillo Project covers an area of 125 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 4) 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.

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.

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 propylitic alteration 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

DIRECTORS' REPORT

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.

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

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

But for the Los Calatos Project, the mineral resource estimates were 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. The June 2015 Mineral Resource Los Calatos has been estimated in accordance with the JORC Code, 2012 Edition.

Los Calatos Project**Table 1:** Mineral Resource Statement, June 2015.

| Resource Classification | Tonnes (million) | Cu (%) | Mo (ppm) |
|---------------------------------------|-------------------------|---------------|-----------------|
| Measured | 72.8 | 0.73 | 513 |
| Indicated | 63.7 | 0.73 | 345 |
| Total Measured & Indicated | 136.5 | 0.73 | 434 |
| Inferred | 215.8 | 0.78 | 244 |

Note:

- i) Reported at a 0.50% Cu cut-of.*
- ii) Rounding may result in minor discrepancies.*

DIRECTORS' REPORT**Table 2: Los Calatos Project: Mineral Resources by copper cut-off grade - SRK Consulting (Chile) S.A (June 15, 2015).**

| Cut-off Cu (%) | Measured | | | Indicated | | | Total M + I | | | Inferred | | |
|----------------------|----------------|-----------|-------------|----------------|-----------|-------------|----------------|-------------|-------------|----------------|-----------|-------------|
| | Tonnes (Mt) | Cu (%) | Mo (ppm) | Tonnes (Mt) | Cu (%) | Mo (ppm) | Tonnes (Mt) | Cu (%) | Mo (ppm) | Tonnes (Mt) | Cu (%) | Mo (ppm) |
| 0.00 | 646 | 0.23 | 170 | 1,251 | 0.17 | 74 | 1,898 | 0.19 | 107 | 2,788 | 0.21 | 75 |
| 0.05 | 525 | 0.28 | 204 | 1,008 | 0.21 | 89 | 1,533 | 0.23 | 128 | 2,299 | 0.25 | 87 |
| 0.10 | 420 | 0.34 | 247 | 709 | 0.26 | 116 | 1,128 | 0.29 | 165 | 1,814 | 0.29 | 103 |
| 0.15 | 345 | 0.38 | 287 | 499 | 0.32 | 146 | 844 | 0.34 | 204 | 1,352 | 0.35 | 123 |
| 0.20 | 285 | 0.42 | 323 | 361 | 0.38 | 174 | 646 | 0.40 | 239 | 1,045 | 0.40 | 141 |
| 0.25 | 231 | 0.47 | 355 | 261 | 0.43 | 202 | 491 | 0.45 | 274 | 788 | 0.46 | 162 |
| 0.30 | 183 | 0.52 | 387 | 187 | 0.50 | 234 | 371 | 0.51 | 310 | 564 | 0.53 | 190 |
| 0.35 | 145 | 0.58 | 422 | 135 | 0.56 | 267 | 280 | 0.57 | 347 | 423 | 0.60 | 210 |
| 0.40 | 114 | 0.63 | 460 | 101 | 0.63 | 296 | 215 | 0.63 | 382 | 327 | 0.66 | 228 |
| 0.45 | 90 | 0.68 | 489 | 80 | 0.68 | 323 | 170 | 0.68 | 411 | 265 | 0.72 | 235 |
| 0.50 | 73 | 0.73 | 513 | 64 | 0.73 | 345 | 137 | 0.73 | 434 | 216 | 0.78 | 245 |
| 0.55 | 59 | 0.79 | 532 | 52 | 0.78 | 363 | 110 | 0.78 | 452 | 177 | 0.83 | 253 |
| 0.60 | 47 | 0.84 | 545 | 42 | 0.83 | 374 | 89 | 0.83 | 464 | 147 | 0.88 | 258 |
| 0.65 | 38 | 0.89 | 556 | 34 | 0.88 | 382 | 72 | 0.88 | 473 | 122 | 0.94 | 257 |
| 0.70 | 31 | 0.94 | 566 | 28 | 0.92 | 393 | 59 | 0.93 | 483 | 99 | 1.00 | 261 |
| 0.75 | 25 | 0.99 | 572 | 23 | 0.97 | 405 | 48 | 0.98 | 492 | 81 | 1.06 | 259 |
| 0.80 | 20 | 1.04 | 581 | 19 | 1.00 | 412 | 39 | 1.02 | 499 | 66 | 1.12 | 257 |
| 0.85 | 16 | 1.09 | 593 | 16 | 1.04 | 422 | 32 | 1.07 | 509 | 55 | 1.18 | 250 |
| 0.90 | 13 | 1.14 | 603 | 13 | 1.08 | 426 | 26 | 1.11 | 516 | 47 | 1.24 | 243 |
| 0.95 | 10 | 1.20 | 625 | 10 | 1.13 | 441 | 20 | 1.17 | 536 | 39 | 1.30 | 236 |
| 1.00 | 8 | 1.26 | 650 | 7 | 1.18 | 461 | 16 | 1.22 | 561 | 33 | 1.36 | 232 |

DIRECTORS' REPORT**Mollacas Project****Table 3:** 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 |
| Measured & Indicated | 15.5 | 0.51 | 0.40 | 0.13 |

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 4:** 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 |
| Measured & Indicated | 8.1 | 0.82 | 10.06 | 1.06 | 0.06 | 0.33 |
| 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 supporting drill hole data. Copper and molybdenum grades were estimated into a block model using ordinary kriging with VULCAN software.

The information provided in this Annual Report as it relates to Exploration Results and Mineral Resources of the Los Calatos copper deposit is based on information compiled by Joled Nur, Principal Mining Engineer (Geostatistics and Resources Estimation) SRK. Mr Nur, a Qualified Person for JORC 2012 compliant statements, reviewed the technical information presented in this document. Mr Nur, Principal Mining Engineer with SRK, performed the resource estimation. Mr Nur 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 Nur has consented to be named in this announcement and inclusion of 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 20 locations across 12 countries on five continents.

In accordance with Metminco's requirements, RPM conducted a strategic mining study to evaluate alternative high grade development scenarios for Los Calatos Project based upon the Mineral Resources estimate completed by SRK Consulting (Chile) S.A. in June 2015.

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 Metminco correspond to those obtained by RPM in the conduct of their study on Los Calatos entitled "Strategic Mining Study - Los Calatos" dated 14 September 2015.

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

DIRECTORS' REPORT

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.

Corporate

The Consolidated Group after tax loss for the full year ended 31 December 2015, including an impairment of A\$43,480,520 for the Mollacas Project and a provision of A\$2,825,214 in relation to associated VAT receivable in Chile, was A\$49,070,767.

In light of the decision by the Chilean Supreme Court to uphold a prior ruling by the Court of Appeal of Region IV, which overturned a decision granting access for mining purposes to Hampton Chile, from a lower court, the Directors are now in the process of evaluating other alternatives to secure mining access rights. Whilst the Directors believe the Mollacas Project has value, as a result of the uncertainty surrounding the timing of obtaining the mining access rights, and the impact this has on the timing of further developing the project, the Directors have considered the requirements of the relevant accounting standards and have determined that there are impairment indicators. There are a number of critical assumptions where the Directors are unable, at this stage, to accurately make an assessment and as such are unable to measure the recoverable amount, other than for the value of the land and water rights. Accordingly the Company has impaired the value of the Mollacas Project by \$43.5m, down to a recoverable amount of A\$3.9 million being the value of the land and water rights owned by the Company. Further, the Company has provided in full for recoverable VAT in Chile, which is recoverable against VAT received on sales and/or export credits, due to the uncertainty pertaining to the timing of recovery following the delayed development of the Mollacas Project.

Funding

During the year the Company raised approximately A\$5.3 million net costs (A\$0.3 million through a placing completed in March 2015 (“Mar15 Placing”), pro-rata right issue and placement of the corresponding shortfall (“May 15 Right Issue”), a placing completed in November 2015 (“Nov15 Placing”) and exercise of options associated with the Mar15 Placing and the May15 Rights Issue.

Mar15 Placing

The Company raised approximately A\$1 million through the issue of 179,191,151 new fully paid ordinary shares (“Shares”) at an issue price of A\$0.006 (£0.003) per Share. The Mar 15 Placing, which comprised of two tranches, (75,335,833 Shares under ASX Listing Rule 7.1 and 103,855,318 Shares approved by shareholders at a general meeting of shareholders) granted participants 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. All Directors participated in the Mar 15 Placing subscribing for a total of 54,375,000 Shares to raise approximately A\$325,000.

Directors' and Management of the Company exercised 33,358,334 options at A\$0.006 (GBP£0.003) per Share prior to expiry to raise A\$200,150.

DIRECTORS' REPORT

May 15 Right Issue

A pro-rata rights issue offer ("May 15 Rights Issue") of 565,631,686 Shares was made to shareholders with a registered address in Australia, United Kingdom or New Zealand. The May 15 Rights Issue, which was on the basis of 1 fully paid ordinary share ("New Share") for every 3.25 Shares held on 10 April 2015 at an issue price of A\$0.005 (£0.0026) per New Share, raised A\$2.8 million with 100% of entitlements being taken up. Under the May 15 Rights Issue subscribers were also granted one unlisted May 16 Rights Issue Option per New Share exercisable at A\$0.005 (£0.0026) expiring 15 May 2016.

As at 31 December 2015 option holders had exercised 43,135,227 May 16 Rights Issue Options raising A\$215,676.

Nov15 Placing

A total of 250,000,000 Shares were placed by SPAngel at a price of A\$0.00433 (£0.002) per Share under ASX Listing Rule 7.1 and 7.1A, raising approximately A\$1.1 (£0.50) million before costs.

Shares Issued in lieu of termination payment and fees

A total of 48,503,379 Shares equivalent to A\$231,135 were issued in settlement of termination payment (20,045,258 Shares equivalent to A\$ 111,135 to a former employee) and in lieu of fees (21,156,558 Shares equivalent to A\$90,000 to LinQ Corporate Pty Ltd in settlement of corporate consulting fees and 7,301,562 Shares equivalent to A\$30,000 to Slipstream Resources Pty Ltd for investor relations related services).

Strategic Alliance

Following the release of the Strategic Mining Study, the Company commenced a process seeking to secure a strategic partner for the Los Calatos Project with a number of parties working through their due diligence. The process is taking longer than anticipated, mainly due to current market conditions.

Until the Company secures an offer that secures real value for shareholders, there is a need to maintain the Los Calatos Project in good standing. Against a global backdrop of robust long term copper demand, depleting copper reserves, and given both its location and environmental disposition, the Los Calatos Project is a valuable asset which has the potential to be an important future copper producer.

Cash Position

As at 31 December 2015 Metminco had cash reserves of A\$0.95 million.

Expenditure for the year was focussed on the Company's 100% owned Los Calatos copper project. At Los Calatos, following completion of detailed geological modelling of the deposit and an updated Mineral Resources Estimate, the Company engaged Runge Pincock Minarco to undertake the Strategic Mining Study completed September 2015 (refer Los Calatos section above). The updated Mineral Resources Estimate and the results of the Strategic Mining Study has attracted the interest of several potential funding partners and with whom the Company is currently in discussions. Additional geological interpretative surface mapping leading to identification of the TD2 and TD3 targets (adjacent to the main Los Calatos deposit) was completed.

The Company continued to undertake work in relation to acquisition of a potential near term cash flow opportunity and is currently engaged in negotiation with respect to this acquisition. The Company incurred care and maintenance costs in relation to its Chilean projects (Mollacas, Vallecillo and Loica) and costs associated with corporate governance, compliance, and maintenance of ASX and AIM listings.

Significant cost reduction initiatives were put in place in Australia in February 2015, and, in May 2015 a restructure of the Company's Peruvian operations was completed. The Company continues to focus on cost reduction initiatives while at the same time maintaining its projects in good standing and meeting its governance, compliance and ASX and AIM listing obligations.

The Consolidated Group has made a loss for the year of A\$49,070,767 including an impairment charge of A\$46,305,734 in relation to the Mollacas project and the associated Chilean VAT. 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 and excluding raised capital was A\$5,529,131 and the cash balance at the end

DIRECTORS' REPORT

of the year was A\$949,790. Although the Group has taken steps to ensure its ongoing expenditure is at the minimum levels required to maintain its projects in good standing and meet its governance, compliance and ASX and AIM listing obligations, additional funding will be required within the next 12 months to meet these obligations. The possibility that the Group may not be able to raise the additional financing required gives 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 have sufficient working capital for its present requirements.

In forming this view the Directors have considered in detail a number of potential scenarios including funding alternatives as well as other strategies in play including the following:

- In relation to the Los Calatos project, the updated Mineral Resources Estimate and the results of the Strategic Mining Study has attracted the interest of several potential funding partners and with whom the Company is currently in discussions.
- The Company continued to undertake work in relation to acquisition of a potential near term cash flow opportunity and is currently engaged in negotiation with respect to this acquisition
- In addition funds pursuant to the exercise of the Rights Issue Options expiring 15 May 2016 may provide further funding.

Expiry of Options

The following options lapsed unexercised during the year:

- 75,335,833 options to acquire one Share at an exercise price of A\$0.006 (£0.003) per Share expiring 20 May 2015,
- 70,496,984 to acquire one Share at an exercise price of A\$0.006 (£0.003) per Share expiring 27 June 2015,
- 2,000,000 to acquire one Share at an exercise price of A\$0.175 per Share expiring 15 June 2015, and
- 2,000,000 to acquire one Share at an exercise price of A\$0.210 per Share expiring 15 June 2015.

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 2015.

Events subsequent to reporting date

No 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 South America.

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

| | |
|--------------------------------|---|
| Timothy Read | 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 | 21,157,692 ordinary shares in Metminco Limited and 3,507,692 options to acquire shares. |
| SPECIAL RESPONSIBILITIES | Chairman of the Remuneration and Nomination and member of the Audit and Risk committees. |
| | |
| William Howe | 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 | 129,141,533 ordinary shares in Metminco Limited. |
| | |
| Phillip Wing | 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 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 |

DIRECTORS' REPORT

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 | 26,729,109 ordinary shares in Metminco Limited and 6,044,106 options to acquire shares. |
| 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 | <p>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.</p> <p>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.</p> <p>He is a non-executive Director of Ok Tedi Mining Ltd and Newcrest Mining, 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.</p> |

| | |
|--------------------------------|--|
| INTEREST IN SHARES AND OPTIONS | 5,688,464 ordinary shares in Metminco Limited and 184,616 options to acquire shares. |
| SPECIAL RESPONSIBILITIES | Chairman of the Safety, Health and Sustainable Development Committee. |

| | |
|------------------------|---|
| Stephen Tainton | Executive Director |
| QUALIFICATIONS | B.Sc. Geology (Hons) |
| EXPERIENCE | <p>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.</p> |

| | |
|--------------------------------|--|
| INTEREST IN SHARES AND OPTIONS | 4,843,594 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 60,140,000 ordinary shares in Metminco Limited and 2,500,000 options to acquire shares.

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 20 years' experience in the mining and exploration sector in various senior executive roles, including Financial Controller of Plutonic Resources Limited and Chief Financial Officer of Otter Gold Mines Limited. Philip was with the Caltex Group for over 10 years in various senior finance, audit and technology roles located in Australia and overseas. During his time with Caltex Philip was exposed to the coal mining industry through Caltex's ownership of the Bayswater colliery.

His experience includes fund raising, initial public offerings, financial modelling to support bankable feasibility studies, development of funding strategies, treasury, statutory, ASX and AIM compliance reporting, company secretarial, and implementation of commercial systems.

INTEREST IN SHARES AND OPTIONS 25,759,147 ordinary shares in Metminco Limited and 13,080,978 options to acquire shares.

Meetings of the Board

The Board of Directors held 9 meetings during the year ended 31 December 2015. Attendances of Directors at these meetings are shown in the table below:

| DIRECTOR | MEETINGS ATTENDED | ELIGIBLE TO ATTEND BOARD MEETINGS |
|---------------------------------|-------------------|-----------------------------------|
| Timothy Read | 8 | 9 |
| Phillip Wing | 9 | 9 |
| William Howe | 9 | 9 |
| Francisco Vergara – Irarrazaval | 7 | 9 |
| Roger Higgins | 9 | 9 |
| Stephen Tainton | 7 | 9 |

DIRECTORS' REPORT

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 2015 were as follows:

| 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 | 1 | 1 | - | - |
| Francisco Vergara - Irazazaval | 2 | 3 | 1 | 1 | 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\$11,330 for the year ended 31 December 2015 (for the year ended 31 Dec 2014: A\$22,211).

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 |
|-----------------|-----------------|----------------|---------------------|
| 28 January 2013 | 28 January 2016 | \$0.075 | 250,000 |
| 28 January 2013 | 28 January 2016 | \$0.089 | 250,000 |
| 15 May 2015 | 15 May 2016 | \$0.005 | 522,496,459 |
| 1 August 2014 | 1 August 2017 | \$0.0302 | 5,000,000 |
| | | | 527,996,459 |

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

DIRECTORS' REPORT

that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- 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 2015.

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 2015 is set out on page 42, 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 2015.

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 2015 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 |
| | | | % | % | % | % | % |
| Group Key Management Personnel | | | | | | | |
| 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 |
| 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 months 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 2015

There were no changes in Directors or Executives subsequent to 31 December 2015.

Remuneration Details during the year ended 31 December 2015

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 2015:**

| Group Key Management Personnel | | 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-MONEY-TARY | HOUSING ALLOWANCE | PENSION AND SUPER-ANNUATION | OTHER | INCENTIVE PLANS | LSL | SHARES/ UNITS | OPTIONS/ RIGHTS | | | |
| | | | | | | | | | | | | | | |
| William Howe | Dec 2015 | 302,500 * | - | - | - | 35,000 | - | - | - | - | - | - | - | 337,500 |
| | Dec 2014 | 420,000 * | - | - | - | 30,000 | - | - | - | - | - | - | - | 450,000 |
| Tim Read | Dec 2015 | 93,750 * | - | - | - | - | - | - | - | - | - | - | - | 93,750 |
| | Dec 2014 | 163,878 * | - | - | - | - | - | - | - | - | - | - | - | 163,878 |
| Phillip Wing | Dec 2015 | 56,250 * | - | - | - | - | - | - | - | - | - | - | - | 56,250 |
| | Dec 2014 | 85,000 * | - | - | - | - | - | - | - | - | - | - | - | 85,000 |
| Francisco Vergara-Irarrazaval | Dec 2015 | 56,250 * | - | - | - | - | - | - | - | - | - | - | - | 56,250 |
| | Dec 2014 | 75,000 * | - | - | - | - | - | - | - | - | - | - | - | 75,000 |
| Roger Higgins | Dec 2015 | 56,250 * | - | - | - | - | - | - | - | - | - | - | - | 56,250 |
| | Dec 2014 | 75,000 * | - | - | - | - | - | - | - | - | - | - | - | 75,000 |
| Stephen Tainton | Dec 2015 | 241,000 * | - | - | - | 35,000 | - | - | - | - | - | - | - | 276,000 |
| | Dec 2014 | 310,000 * | - | - | - | 30,000 | - | - | - | - | - | - | - | 340,000 |
| Philip Killen | Dec 2015 | 221,000 * | - | - | - | 35,000 | - | - | - | - | - | - | - | 256,000 |
| | Dec 2014 | 270,000 * | - | - | - | 30,000 | - | - | - | - | - | - | - | 300,000 |
| Colin Sinclair | Dec 2015 | 131,150 * | - | - | - | - | - | - | - | - | - | - | - | 131,150 |
| | Dec 2014 | 175,200 * | - | - | - | - | - | - | - | - | - | - | - | 175,200 |
| Gavin Daneel | Dec 2015 | 44,167 * | - | - | - | 5,833 | - | - | - | ** | - | - | 150,000* | 200,000 |
| | Dec 2014 | 265,833 * | - | - | - | 34,167 | - | - | - | - | - | - | - | 300,000 |
| Total Key Management Personnel | Dec 2015 | 1,202,519 | - | - | - | 110,833 | - | - | - | - | - | - | 150,000 | 1,463,352 |
| | Dec 2014 | 1,839,911 | - | - | - | 124,167 | - | - | - | - | - | - | - | 1,964,078 |

* Effective 1 July 2015 Directors and executives voluntarily agreed to a 40% to 50% reduction of remuneration. From 1 January to 30 June 2015, Directors and executives voluntarily agreed to defer 40% to 50% of remuneration. From 1 July 2014 onwards 10% of the monthly remuneration has been voluntarily deferred (\$85,361). Mr Read deferred 100% of fees for services. As at 30 June 2015 deferred amounts were settled largely by way of exercise of options at \$0.006 or A\$0.005 per Share by each Director and executive (subject to the number of exercisable options held). These options were granted in accordance with the placement approved by shareholders in March 2015 and the Pro-Rata Rights Issue to all shareholders. Refer * below.

** Termination payment of \$150,000 was settled by way of issue of 20,045,258 shares at approximately \$0.006 per Share plus a cash payment of \$38,865 to the Australian Tax Office in respect of income tax payable.

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 2015.

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

There were no options or rights issued or granted as remuneration to 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 due to participation in the Placing and Rights Issue during the year | Exercised during the year | Expired during the year | Balance at end of the year |
|-------------------------------------|---|---|------------------------------|----------------------------|-------------------------------|
| 31-December 15 | | | | | |
| William Howe | – | 49,999,933 | (28,141,600) | (21,858,333) | – |
| Phillip Wing | – | 9,794,106 | (1,041,667) | (2,708,333) | 6,044,106 |
| Francisco Vergara - Irrarrazaval | – | 6,250,000 | (3,750,000) | – | 2,500,000 |
| Tim Read | 2,000,000 | 13,507,692 | (6,250,000) | (5,750,000) | 3,507,692 |
| Philip Killen | – | 21,414,311 | – | (8,333,333) | 13,080,978 |
| Stephen Tainton | – | 2,271,797 | (2,271,797) | – | – |
| Roger Higgins | – | 2,821,156 | (2,636,540) | – | 184,616 |
| Gavin Daneel | – | – | – | – | – |
| Colin Sinclair | – | 16,666,667 | (6,930,000) | (9,736,667) | – |
| | 2,000,000 | 122,725,662 | (51,021,604) | (48,386,666) | 25,317,392 |

| | Balance at the beginning of the year | Granted as remuneration during the year | Exercised during the year | Expired during the year | Balance at end of the year |
|-------------------------------------|---|--|------------------------------|----------------------------|-------------------------------|
| 31-December 14 | | | | | |
| William Howe | – | – | – | – | – |
| Philip Wing | – | – | – | – | – |
| Francisco Vergara - Irrarrazaval | – | – | – | – | – |
| Tim Read | 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) | – |
| | 7,000,000 | – | – | (5,000,000) | 2,000,000 |

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 | PARTICIPATION IN THE PLACING AND RIGHTS ISSUE DURING THE PERIOD | ISSUED ON EXERCISE OF OPTIONS DURING THE PERIOD | OTHER CHANGES DURING THE PERIOD | BALANCE 31 DECEMBER 2015 |
|--------------------------------|--------------------------------------|---|---|---|---------------------------------|--------------------------|
| 31 December 2015 | | | | | | |
| William Howe | 50,000,000 | – | 49,999,933 | 28,141,600 | 1,000,000 | 129,141,533 |
| Phillip Wing | 15,893,336 | – | 9,794,106 | 1,041,667 | – | 26,729,109 |
| Tim Read | 1,400,000 | – | 13,507,692 | 6,250,000 | – | 21,157,692 |
| Francisco Vergara – Irazazaval | 50,140,000 | – | 6,250,000 | 3,750,000 | – | 60,140,000 |
| Philip Killen | 4,344,836 | – | 21,414,311 | – | – | 25,759,147 |
| Stephen Tainton | 300,000 | – | 2,876,927 | 1,666,667 | – | 4,843,594 |
| Gavin Daneel | – | 20,045,258 | – | – | (3,333,332) | 16,711,926 |
| Colin Sinclair | 6,276,094 | – | 16,666,667 | 6,930,000 | – | 29,872,761 |
| Roger Higgins | 600,000 | – | 2,636,540 | 2,451,924 | – | 5,688,464 |
| | 128,954,266 | 20,045,258 | 123,146,176 | 50,231,858 | (2,333,332) | 320,044,226 |

| | 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 |
|--------------------------------|--------------------------------------|---|---|---------------------------------|--------------------------|
| 31 December 2014 | | | | | |
| 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 – Irazazaval | 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 |
| | 127,689,361 | – | – | 1,264,905 | 128,954,266 |

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.

Voting and comments made at the company's 2014 Annual General Meeting (AGM)

The Company received 95% "For" votes on its remuneration report for the 2014 financial year. No other specific feedback was received at the AGM on its remuneration report.

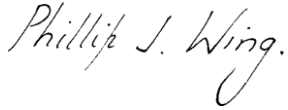
End of audited remuneration report.

DIRECTORS' REPORT

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

Phillip J Wing

Non Executive Director

A handwritten signature in cursive script that reads "Phillip J. Wing." The signature is written in black ink and is positioned below the printed name and title.

4 March 2016

SYDNEY

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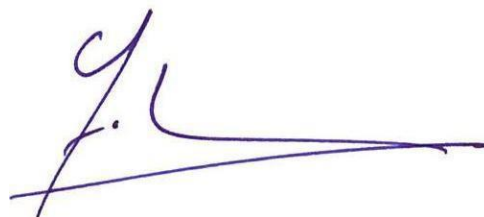
Auditor's Independence Declaration To the Directors of Metminco Limited

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 2015, 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, 4 March 2016

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 2015

| | NOTE | CONSOLIDATED GROUP | |
|---|------------|------------------------|------------------------|
| | | 31 DECEMBER 2015 \$ | 31 DECEMBER 2014 \$ |
| Revenue | 2 | 4,445 | 10,135 |
| Foreign exchange (loss)/gain | | (74,202) | (610,084) |
| Administration expenses | | (1,152,533) | (1,991,226) |
| Corporate expenses | | (655,191) | (1,131,966) |
| Occupancy expense | | (260,984) | (297,523) |
| Exploration and evaluation expenditure impaired | 13 | (43,480,520) | (7,204,568) |
| Exploration, evaluation and due diligence expenses | | (626,568) | (1,697,706) |
| Provision for Chilean VAT receivable | 9 | (2,825,214) | – |
| Loss before income tax | | (49,070,767) | (12,922,938) |
| Income tax expense | 4 | – | – |
| Loss for the year | 3 | (49,070,767) | (12,922,938) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translating foreign controlled entities (net of tax) | | 8,617,997 | 6,146,533 |
| Total Comprehensive Loss for the year | | (40,452,770) | (6,776,405) |
| Loss for the year attributable to members of parent entity: | the | (49,070,767) | (12,922,938) |
| Total comprehensive loss attributable to members of the parent entity: | | | |
| From continuing operations: | | (40,452,770) | (6,776,405) |
| Basic loss per share (cents) | 7 | (2.04) | (0.73) |
| Diluted loss per share | 7 | (2.04) | (0.73) |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

| | NOTE | CONSOLIDATED GROUP | |
|--|------|--------------------|--------------------|
| | | 31 DECEMBER 2015 | 31 DECEMBER 2014 |
| | | \$ | \$ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 949,790 | 1,192,693 |
| Trade and other receivables | 9 | 186,858 | 316,471 |
| Other assets | 10 | 21,815 | 30,990 |
| TOTAL CURRENT ASSETS | | 1,158,463 | 1,540,154 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 9 | 2,180,893 | 4,878,723 |
| Property, plant and equipment | 12 | 4,586,160 | 4,124,135 |
| Exploration and evaluation expenditure | 13 | 160,886,215 | 193,531,440 |
| TOTAL NON-CURRENT ASSETS | | 167,653,268 | 202,534,298 |
| TOTAL ASSETS | | 168,811,731 | 204,074,452 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 14 | 317,058 | 472,705 |
| Short term provisions | 15 | 258,225 | 308,888 |
| TOTAL CURRENT LIABILITIES | | 575,283 | 781,593 |
| NON-CURRENT LIABILITIES | | | |
| Long term provisions | 15 | 83,155 | 47,224 |
| TOTAL NON-CURRENT LIABILITIES | | 83,155 | 47,224 |
| TOTAL LIABILITIES | | 658,438 | 828,817 |
| NET ASSETS | | 168,153,293 | 203,245,635 |
| EQUITY | | | |
| Issued capital | 16 | 324,037,464 | 318,677,036 |
| Reserves | 25 | (18,208,268) | (26,640,427) |
| Accumulated losses | | (137,675,903) | (88,790,974) |
| TOTAL EQUITY | | 168,153,293 | 203,245,635 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

| | ISSUED CAPITAL | ACCUMULATED LOSSES | OPTION RESERVE | FOREIGN CURRENCY TRANSLATION RESERVE | ACQUISITION RESERVE | TOTAL |
|---|-------------------|-----------------------|-------------------|--|------------------------|--------------|
| CONSOLIDATED GROUP | \$ | \$ | \$ | \$ | \$ | \$ |
| Total equity as at 1 Jan 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 | – | (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 | 318,677,036 | (88,790,974) | 253,594 | 14,612,641 | (41,506,662) | 203,245,635 |
| Total equity as at 1 Jan 2015 | 318,677,036 | (88,790,974) | 253,594 | 14,612,641 | (41,506,662) | 203,245,635 |
| Loss attributable to members of the parent entity | – | (49,070,767) | – | – | – | (49,070,767) |
| Other comprehensive income | – | – | – | 8,617,997 | – | 8,617,997 |
| Total comprehensive loss | – | (49,070,767) | – | 8,617,997 | – | (40,452,770) |
| Transactions with owners: | | | | | | |
| Shares issued during the period | 5,625,590 | – | – | – | – | 5,625,590 |
| Transaction costs | (265,162) | – | – | – | – | (265,162) |
| Options expired | – | 185,838 | (185,838) | – | – | – |
| Balance as at 31 December 2015 | 324,037,464 | (137,675,903) | 67,756 | 23,230,638 | (41,506,662) | 168,153,293 |

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

| | NOTE | CONSOLIDATED GROUP | |
|---|-------|--------------------|--------------------|
| | | 31 DECEMBER 2015 | 31 DECEMBER 2014 |
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Payments to suppliers and employees | | (1,988,210) | (3,158,424) |
| Exploration, due diligence and evaluation | | (626,569) | (1,697,706) |
| Interest received | | 4,445 | 10,135 |
| Net cash used in operating activities | 21(b) | (2,610,334) | (4,845,995) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of plant and equipment | | (3,977) | (13,553) |
| Payments for exploration expenditure | | (2,928,374) | (2,641,877) |
| Recovery of VAT in Peru | | 13,555 | 372,161 |
| Net cash used in investing activities | | (2,918,796) | (2,283,269) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | 5,625,590 | 1,136,173 |
| Payments in respect to capital raisings | | (265,162) | (12,127) |
| Net cash provided by financing activities | | 5,360,428 | 1,124,046 |
| Net decrease in cash held | | (168,702) | (6,005,218) |
| Cash and cash equivalents at the beginning of the year | | 1,192,693 | 7,807,995 |
| Effect of exchange rates on cash holdings in foreign currencies | | (74,201) | (610,084) |
| Cash and cash equivalents at the end of the year | 21(a) | 949,790 | 1,192,693 |

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

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 2015.

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 4 March 2016.

a. Going concern basis of accounting

These financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Consolidated Group has made a loss for the year of \$49,070,767 including a \$43,480,520 write down of its Mollocas Project and provision in full for Chilean VAT receivable (\$2,825,214). 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 and excluding capital raised was \$5,529,131 and the cash balance at the end of the year was \$949,790. Although the Group has taken steps to ensure its ongoing expenditure is at the minimum levels required to maintain its projects in good standing and meet its governance, compliance and ASX and AIM listing obligations, additional funding will be required within the next 12 months to meet these obligations. The possibility that the Group may not be able to raise the additional financing required gives 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 have sufficient working capital for its present requirements.

In forming this view the Directors have considered in detail a number of potential scenarios including funding alternatives as well as other strategies in play including the following:

- In relation to the Los Calatos project, the updated Mineral Resources Estimate and the results of the Strategic Mining Study has attracted the interest of several potential funding partners and with whom the Company is currently in discussions.
- The Company continued to undertake work in relation to acquisition of a potential near term cash flow opportunity and is currently engaged in negotiation with respect to this acquisition
- In addition funds pursuant to the exercise of the Rights Issue Options expiring 15 May 2016 may provide further funding.

The financial statements have been prepared on the going concern basis for the above reasons. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

c. Business Combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

d. Income Tax

The income tax expense (income) 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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

| Class of Fixed Asset | Depreciation Rate |
|----------------------|--------------------------|
| 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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.)

ii. 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 asset has been impaired. 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. This includes considering the requirements set out in AASB 6 *Exploration for and Evaluation of Mineral Resources*. In respect of the capitalised exploration and development expenditure. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Plant and equipment, and capitalised exploration and development expenditure, are assessed for impairment on a cash generating unit ("CGU") basis. A cash generating unit is the smallest grouping of assets that generates independent cash flows, and generally represents an individual project. Impairment losses recognised in respect of cash generating units are allocated to reduce the carrying amount of the assets in the unit on a pro-rata basis. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior year. A reversal of an impairment loss is recognised in profit or loss immediately.

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

j. 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.

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.

k. 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. 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.

m. 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.

n. 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).

o. 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.

p. Goods and Services Tax (GST)/ Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST/VAT, except where the amount of GST/VAT incurred is not recoverable from the respective Tax Office. In these circumstances the GST/VAT is recognised as part of the cost of 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/VAT component of investing and financing activities, which are disclosed as operating cash flows.

q. 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.

r. 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. Refer to Note 13 and Note 9 for details of impairment recorded in the year.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$160,886,215 (see Note 13).

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

The Binomial method has been used to value share options in respect of the optionality underlying the 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.

s. 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.

Going concern basis of accounting

As noted in note 1(a), there is a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern. The Directors have determined that the going concern basis remains appropriate as stated in note 1(a) however this represents a significant management judgement.

t. Changes in accounting policies

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 January 2015. Information on the more significant standard(s) is presented below.

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 IASB of International Financial Reporting Standards Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2010–2012 Cycle:

- clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity)
- amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria

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.

u. 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v. 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.

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 1057 Application of Australian Accounting Standards

In May 2015, the AASB decided to revise Australian Accounting Standards that incorporate IFRSs to minimise Australian-specific wording even further. The AASB noted that IFRSs do not contain application paragraphs that identify the entities and financial reports to which the Standards (and Interpretations) apply. As a result, the AASB decided to move the application paragraphs previously contained in each Australian Accounting Standard (or Interpretation), unchanged, into a new Standard AASB 1057 Application of Australian Accounting Standards. When this Standard is first adopted for the year ending 31 December 2016, there will be no impact on the financial statements.

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 transactions and balances recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 Financial Instruments.

When these amendments are first adopted for the year ending 31 December 2018, there will be no material impact on the entity.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments:

- clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
- clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated
- add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order
- remove potentially unhelpful guidance in AASB 101 for identifying a significant accounting policy.

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

AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

When this Standard is first adopted for the year ending 31 December 2016, there will be no impact on the financial statements.

AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs

AASB 2015-9 inserts scope paragraphs into AASB 8 Operating Segments and AASB 133 Earnings per Share in place of application paragraph text in AASB 1057. In July and August 2015, the AASB reissued AASB 8, AASB 133 and most of the Australian Accounting Standards that incorporate IFRSs to make editorial changes. The application paragraphs in the previous versions of AASB 8 and AASB 133 covered scope paragraphs that appear separately in the corresponding IFRS 8 and IAS 33. In moving those application paragraphs to AASB 1057 when AASB 8 and AASB 133 were reissued in August, the AASB inadvertently deleted the scope details from AASB 8 and AASB 133. This amending Standard puts the scope details into those Standards, and removes the related text from AASB 1057. There is no change to the requirements or the applicability of AASB 8 and AASB 133.

When this Standard is first adopted for the year ending 31 December 2016, there will be no impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS**CONSOLIDATED**

| | 31 DECEMBER 2015 | 31 DECEMBER 2014 |
|--|------------------|------------------|
| | \$ | \$ |

NOTE 2: REVENUE

| | | |
|-----------------------------------|-------|--------|
| Interest received – other persons | 4,445 | 10,135 |
|-----------------------------------|-------|--------|

NOTE 3: LOSS FOR THE YEAR

This loss for the year is stated after:

Expenses from continuing operations:

| | | |
|---|--------------|-------------|
| Other expenses | (261,188) | (304,619) |
| Employee and directors' benefits expense | (736,291) | (1,453,160) |
| Depreciation and amortisation expense | (155,057) | (233,448) |
| Exploration and evaluation expenditure impaired | (43,480,520) | (7,204,568) |
| Provision for Chilean VAT receivable | (2,825,214) | – |

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 | 49,070,767 | 12,922,938 |
| Total income tax benefit calculated at 30% for Australia and Peru and at 35% for Chile (2014: 30% for Australia and Peru and 35% for Chile) | (16,519,292) | (3,930,732) |
| Tax effect of: | | |
| – Foreign exchange losses/(gains) | 41,223 | 205,730 |
| – Exploration impaired | 14,803,881 | 2,161,370 |
| – Allowable capital raising deductions | (520,181) | (552,901) |
| – Options issued | – | 16,406 |
| – Provisions | (6,840) | 8,808 |
| – Accruals | (37,943) | (8,667) |
| | (2,239,152) | (2,099,985) |
| Deferred tax asset not brought to account | 2,239,152 | 2,099,985 |
| Income tax expense | – | – |
| Applicable weighted average effective tax rate | 0% | 0% |
| Deferred tax asset not taken to account | | |
| Tax losses carried forward: | | |
| – Revenue losses | 15,051,685 | 12,857,315 |
| – Temporary differences | (107,764) | (152,547) |
| | 14,943,921 | 12,704,768 |

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 2015.

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

| | CONSOLIDATED | |
|------------------------------|------------------|------------------|
| | 31 DECEMBER 2015 | 31 DECEMBER 2014 |
| | \$ | \$ |
| Short term employee benefits | 1,202,519 | 1,839,911 |
| Post-employment benefits | 110,833 | 124,167 |
| Termination benefits * | 150,000 | – |
| Total | 1,463,352 | 1,964,078 |

* A payment of \$150,000 was made to Mr G Daneel on termination employment in accordance with the termination provisions in his contract. Mr Daneel agreed to settle the amount owing by issue of 20,045,258 shares at approximately A\$0.00574 per Share (prevailing 5 day VWAP prior to date of issue) plus a cash payment of \$38,865 to the Australian Tax Office in respect of income tax payable. The payment was not related to any share based remuneration scheme operated by the Company for its employees.

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 2015.

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 | 89,653 | 97,125 |
| Subsidiaries | | |
| Minera Hampton Chile Limitada and Minera Hampton Peru SAC | 17,528 | 20,193 |
| | 107,181 | 117,318 |
| Non audit services | – | – |
| | 107,181 | 117,318 |

NOTE 7: LOSS PER SHARE

a. Reconciliation of earnings to loss

| | | |
|---|---------------------|---------------------|
| Loss | (49,070,767) | (12,922,938) |
| Loss attributable to minority equity interest | – | – |
| | (49,070,767) | (12,922,938) |

Loss used in the calculation of basic and dilutive EPS

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

| | CONSOLIDATED | |
|---|-------------------------|-------------------------|
| | 31 DECEMBER 2015 | 31 DECEMBER 2014 |
| | NO. | NO. |
| b. <i>Weighted average number of ordinary shares outstanding during the full year used in calculating basic EPS</i> | 2,411,232,735 | 1,770,662,037 |
| <i>Weighted average number of dilutive options outstanding</i> | – | – |
| c. <i>Anti-dilutive options on issue not used in dilutive EPS calculation</i> | 527,996,459 | 9,500,000 |

NOTE 8: CASH AND CASH EQUIVALENTS

| | CONSOLIDATED | |
|--------------|-------------------------|-------------------------|
| | 31 DECEMBER 2015 | 31 DECEMBER 2014 |
| | \$ | \$ |
| Cash at bank | 949,790 | 1,192,693 |
| | 949,790 | 1,192,693 |

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

| | | |
|---|----------------|----------------|
| Other receivables | 163,132 | 160,879 |
| IGV receivables *1 | 23,726 | 155,592 |
| Total current trade and other receivables | 186,858 | 316,471 |

NON-CURRENT

| | | |
|--|------------------|------------------|
| VAT receivables *2 | 5,006,107 | 4,878,723 |
| Provision for impairment of VAT receivables *3 | (2,825,214) | – |
| Total non-current trade and other receivables | 2,180,893 | 4,878,723 |

*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 2018. Hampton Peru has recovered in full all IGV paid with respect to the Los Calatos Project until 31 December 2014 (NB the A\$ value of Peruvian VAT is subject to the movement in the foreign exchange rate).

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

*3 Following an adverse ruling by the Supreme Court of Chile, which has resulted in delaying mining access for the Mollacas Project, the Company has provided in full for recoverable Chilean VAT (A\$ 2,825,214). For further details refer to Note 13.

NOTE 10: OTHER ASSETS**CURRENT**

| | | |
|----------------------------|---------------|---------------|
| Prepayments | 21,815 | 30,990 |
| Total current other assets | 21,815 | 30,990 |

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

| | COUNTRY OF INCORPORATION | PERCENTAGE OWNED | |
|--|-----------------------------|-----------------------|-----------------------|
| | | 31 DECEMBER 2015 % | 31 DECEMBER 2014 % |
| Controlled Entities consolidated | | | |
| Subsidiaries of Metminco Limited: | | | |
| Hampton Mining Limited | Australia | 100 | 100 |
| North Hill Holdings Group Inc | British Virgin Islands | 100 | 100 |
| Wholly owned subsidiaries of North Hill Holdings Group Inc: | | | |
| 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 |

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

| | CONSOLIDATED | |
|-------------------------------------|------------------------|------------------------|
| | 31 DECEMBER 2015 \$ | 31 DECEMBER 2014 \$ |
| Land | | |
| At cost | 3,871,595 | 3,464,309 |
| Total land | 3,871,595 | 3,464,309 |
| Plant and equipment | | |
| At cost | 2,604,674 | 2,035,184 |
| Accumulated depreciation | (1,890,109) | (1,375,358) |
| Total plant and equipment | 714,565 | 659,826 |
| Total property, plant and equipment | 4,586,160 | 4,124,135 |

Reconciliations

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

| Land | | |
|--|------------------|------------------|
| Carrying amount at beginning of year | 3,464,309 | 3,184,369 |
| Impact of foreign exchange movement | 407,286 | 279,940 |
| Carrying amount of land at end of year | 3,871,595 | 3,464,309 |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12: PROPERTY, PLANT AND EQUIPMENT (continued)

| | CONSOLIDATED | |
|---|---------------------------|---------------------------|
| | 31 DECEMBER 2015 \$ | 31 DECEMBER 2014 \$ |
| Plant and equipment | | |
| Carrying amount at beginning of year | 659,826 | 914,228 |
| Additions | 3,977 | 13,553 |
| Impact of foreign exchange movement | 205,819 | (34,507) |
| Depreciation | (155,057) | (233,448) |
| Carrying amount of plant and equipment at end of year | 714,565 | 659,826 |
| Carrying amount at end of year | 4,586,160 | 4,124,135 |

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 | 160,886,215 | 193,531,440 |
| Reconciliations | | |
| Carrying amount at the beginning of the year | 193,531,440 | 192,301,260 |
| Expenditure incurred during the year | 2,563,547 | 2,915,272 |
| Impact of foreign exchange | 8,271,748 | 5,519,476 |
| Exploration impaired *1 | (43,480,520) | (7,204,568) |
| Carrying amount at the end of the year | 160,886,215 | 193,531,440 |

* 1 Impairment indicators in AASB 6 are considered on a project by project basis. Under AASB 6 the Company would need to be planning to undertake active and significant operations at these projects. Due to competing expenditure priorities the Company has no plans at this stage to undertake significant expenditure on these projects during 2016 other than to pay the licence fees. In light of the decision by the Chilean Supreme Court to uphold a prior ruling by the Court of Appeal of Region IV, which overturned a decision granting access for mining purposes to Minera Hampton Chile Limitada, from a lower court, the Directors are now in the process of evaluating other alternatives to secure mining access rights. Whilst the Directors still believe the Mollacas Project has value, as a result of the uncertainty surrounding the timing of obtaining the mining access rights, and the impact this has on the timing of further developing the project, the Directors have considered the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources and have determined that there are impairment indicators.

As a result, the Directors have looked at the requirements set out in AASB 136 Impairment of Assets to measure recoverable amount, and specifically measuring value in use or fair value less costs of disposal. Given the nature of the asset, it was considered more appropriate to look at fair value less costs of disposal, and therefore the guidance provided in AASB 13 Fair Value Measurement was reviewed.

In looking at the fair value, because the Directors are still evaluating other alternatives to secure mining access rights, there are a number of critical assumptions where the Directors are unable, at this stage, to accurately make an assessment (for example, on the timing and cost of the other alternatives). Therefore, the Directors are unable to measure the recoverable amount, other than for the value of the land, and have therefore impaired the value of the Mollacas Project by \$43.5m, down to a recoverable amount of \$3.9m being the value of the land and water rights owned by the Company (included within Property, Plant and Equipment).

Prior Year Impairment:

During the year ended 31 Dec 2014 the Company restructured its operations to focus on the Company's advanced projects, namely the Los Calatos and Mollacas projects. Following an assessment of expenditure priorities the Company determined not to undertake any significant work on its Vallecillo and Loica projects during 2015. In accordance with AASB6 the Company recorded a write down in the carrying value of its exploration projects as at 31 Dec 2014 by \$7,204,568. The write down related 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 \$2,563,547 (for the year ended 31 December 2014: \$2,915,272) have been included in cash flows from investing activities. No expenditure has been capitalized in the financial year ended 31 December 2015 in relation to the projects which were fully impaired in the prior year (Vallecillo, Loica, Isidro and other projects).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: TRADE AND OTHER PAYABLES

| | CONSOLIDATED | |
|-------------------------------------|---------------------|---------------------|
| | 31 DECEMBER 2015 | 31 DECEMBER 2014 |
| | \$ | \$ |
| Trade payables | 86,699 | 142,053 |
| Other payables and accrued expenses | 230,359 | 330,652 |
| | 317,058 | 472,705 |

NOTE 15: PROVISIONS

| | SHORT-TERM EMPLOYMENT BENEFITS | |
|---|-----------------------------------|---------------------|
| | 31 DECEMBER 2015 | 31 DECEMBER 2014 |
| Balance at beginning of the year | 308,888 | 280,044 |
| (Provisions utilised) / Additional Provisions | (50,663) | 28,844 |
| Balance at the end of the reporting period | 258,225 | 308,888 |
| | LONG-TERM EMPLOYEE BENEFITS | |
| Balance at the beginning of the reporting period | 47,224 | – |
| Additional Provisions | 35,931 | 47,224 |
| Balance at the end of the reporting period | 83,155 | 47,224 |

NOTE 16: ISSUED CAPITAL

| | \$ | \$ |
|--|--------------------|--------------------|
| 2,975,335,799 (31 December 2014: 1,855,516,023) fully paid ordinary shares | 324,037,464 | 318,677,036 |

a. Movements in ordinary share capital (No. Shares)

| | No. Shares | No. Shares |
|--|----------------------|----------------------|
| Balance at beginning of the reporting period | 1,855,516,023 | 1,749,543,023 |
| <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 |
| - 20-Feb-15 | 75,335,833 | – |
| - 27-Mar-15 | 103,855,318 | – |
| - 27-Mar-15 | 20,045,258 | – |
| - 15-May-15 | 252,918,606 | – |
| - 18-May-15 | 62,717,362 | – |
| - 4-Jun-15 | 40,000,000 | – |
| - 4-Jun-15 | 96,554 | – |
| - 16-Jun-15 | 70,005,500 | – |
| - 16-Jun-15 | 54,250 | – |
| - 24-Jun-15 | 33,358,334 | – |
| - 24-Jun-15 | 1,182,054 | – |
| - 26-Jun-15 | 134,680,000 | – |
| - 26-Jun-15 | 126,191 | – |
| - 14-Jul-15 | 854,839 | – |
| - 29-Jul-15 | 127,090 | – |
| - 18-Aug-15 | 5,310,218 | – |
| - 8-Oct-15 | 1,849,998 | – |
| - 8-Oct-15 | 14,104,372 | – |
| - 23-Oct-15 | 20,000,000 | – |
| - 9-Nov-15 | 18,828,963 | – |
| - 9-Nov-15 | 250,000,000 | – |
| - 9-Nov-15 | 7,052,186 | – |
| - 23-Dec-15 | 15,288 | – |
| - 23-Dec-15 | 7,301,562 | – |
| At the end of the reporting period | 2,975,335,799 | 1,855,516,023 |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16: ISSUED CAPITAL (continued)

| b. Movements in ordinary share capital (\$) | \$ | \$ |
|--|--------------------|--------------------|
| Balance at beginning of the reporting period | 318,677,036 | 317,607,678 |
| <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 |
| - 20-Feb-15 | 452,015 | - |
| - 27-Mar-15 | 623,132 | - |
| - 27-Mar-15 | 111,135 | - |
| - 15-May-15 | 1,264,593 | - |
| - 18-May-15 | 313,587 | - |
| - 4-Jun-15 | 200,000 | - |
| - 4-Jun-15 | 483 | - |
| - 16-Jun-15 | 350,028 | - |
| - 16-Jun-15 | 271 | - |
| - 24-Jun-15 | 200,150 | - |
| - 24-Jun-15 | 5,910 | - |
| - 26-Jun-15 | 673,400 | - |
| - 26-Jun-15 | 631 | - |
| - 14-Jul-15 | 4,274 | - |
| - 29-Jul-15 | 635 | - |
| - 18-Aug-15 | 26,551 | - |
| - 8-Oct-15 | 9,250 | - |
| - 8-Oct-15 | 60,000 | - |
| - 23-Oct-15 | 100,000 | - |
| - 9-Nov-15 | 94,145 | - |
| - 9-Nov-15 | 1,075,000 | - |
| - 9-Nov-15 | 30,324 | - |
| - 23-Dec-15 | 76 | - |
| - 23-Dec-15 | 30,000 | - |
| Costs of capital raising | (265,162) | (332,772) |
| At the end of the reporting period | 324,037,464 | 318,677,036 |

On 20 February 2015 the Company issued 75,335,833 shares at A\$0.006 as share placement to raise A\$452,015.

On 27 March 2015 the Company issued 103,855,318 shares at A\$0.006 as share placement to raise A\$623,132.

On 27 March 2015 the Company issued 20,045,258 shares at A\$0.00574 in lieu of termination payment of A\$111,135.

On 15 May 2015 the Company issued 252,918,606 shares at A\$0.005 in form of rights issue to raise A\$1,264,593.

On 18 May 2015 the Company issued 62,717,362 shares at A\$0.005 in form of rights issue shortfall to raise A\$313,587.

On 4 June 2015 the Company issued 40,000,000 shares at A\$0.005 in form of rights issue shortfall to raise A\$200,000 and issued 96,554 shares at A\$0.005 in form of exercise of options to raise A\$483.

On 16 June 2015 the Company issued 70,005,500 shares at A\$0.005 in form of rights issue shortfall to raise A\$350,028 and issued 54,250 shares at A\$0.005 in form of exercise of options to raise A\$271.

On 24 June 2015 the Company issued 33,358,334 shares at A\$0.006 in form of exercise for options to raise A\$200,150 and issued 1,182,054 shares at A\$0.005 in form of exercise of options to raise A\$5,910.

On 26 June 2015 the Company issued 134,680,000 shares at A\$0.005 in form of rights issue shortfall to raise A\$673,400 and issued 126,191 shares at A\$0.005 in form of exercise of options to raise A\$631.

On 14 July 2015 the Company issued 854,839 shares at A\$0.005 in form of exercise of options to raise A\$4,274.

On 29 July 2015 the Company issued 127,090 shares at A\$0.005 in form of exercise of options to raise A\$635.

On 18 August 2015 the Company issued 5,310,218 shares at A\$0.005 in form of rights issue shortfall to raise A\$26,551.

On 8 October 2015 the Company issued 1,849,998 shares at A\$0.005 in form of exercise of options to raise A\$9,250 and issued 14,104,372 shares at A\$0.0043 in lieu of fees of A\$60,000.

On 23 October 2015 the Company issued 20,000,000 shares at A\$0.005 in form of exercise of options to raise A\$100,000.

On 9 November 2015 the Company issued 18,828,963 shares at A\$0.005 in form of exercise of options to raise A\$94,145, issued 250,000,000 shares at A\$0.0043 in form of share placement to raise A\$1,075,000 and issued 7,052,186 shares at A\$0.0043 in lieu of fees of A\$30,324.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16: ISSUED CAPITAL (continued)

On 23 December 2015 the Company issued 15,288 shares at A\$0.005 in form of exercise of options to raise A\$76 and issued 7,301,562 shares at A\$0.0041 in lieu of fees of A\$30,000.

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 2015 are as follows:

| | Note | 31 DECEMBER 2015 \$ | 31 DECEMBER 2014 \$ |
|---------------------------|------|---------------------------|---------------------------|
| Cash and cash equivalents | 8 | (949,790) | (1,192,693) |
| Net debt | | (949,790) | (1,192,693) |
| Total equity | | 168,153,293 | 203,245,635 |
| Gearing ratio | | - | - |

NOTE 17: OPTIONS

| GRANT DATE | EXPIRY DATE | EXERCISE PRICE \$ | OUTSTANDING AT 31 DECEMBER 2014 | GRANTED DURING THE YEAR | EXERCISED DURING THE YEAR | LAPSED DURING THE YEAR | OUTSTANDING AT 31 DECEMBER 2015 |
|-------------------------|-----------------|----------------------|--|-------------------------------|---------------------------------|---------------------------|--|
| 31 December 2015 | | | | | | | |
| Unlisted | | | | | | | |
| 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 |
| 20 February 2015 (*) | 20 May 2015 | \$0.006 | - | 75,335,833 | - | (75,335,833) | - |
| 27 March 2015 (**) | 27 June 2015 | \$0.006 | - | 103,855,318 | (33,358,334) | (70,496,984) | - |
| 15 May 2015 (***) | 15 May 2016 | \$0.005 | - | 565,631,686 | (43,135,227) | - | 522,496,459 |
| | | | 9,500,000 | 744,822,837 | (76,493,561) | (149,832,817) | 527,996,459 |

* On 20 February 2015 the Company issued 75,335,833 options by way of private placement at an exercise price of \$0.006 cents expiring 20 May 2015.

** On 27 March 2015 the Company issued 103,855,318 options by way of private placement at an exercise price of \$0.006 cents expiring 27 June 2015.

*** On 15 May 2015 the Company issued 565,631,686 options as part of a rights issue at an exercise price of \$0.005 cents expiring 15 May 2016.

All outstanding options above were exercisable as at 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17: OPTIONS (continued)

| 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 |
|-------------------------|-----------------|----------------------|--|-------------------------------|---------------------------------|------------------------------|--|
| 31 December 2014 | | | | | | | |
| Unlisted | | | | | | | |
| 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 |
| | | | 9,500,000 | 5,000,000 | – | (5,000,000) | 9,500,000 |

1 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.

NOTE 18: CAPITAL AND LEASING COMMITMENTS

CONSOLIDATED

| | |
|-----------------------------|-----------------------------|
| 31 December 2015 | 31 December 2014 |
| \$ | \$ |

a. Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable (minimum lease payments)

| | | |
|---|------------------|------------------------|
| <ul style="list-style-type: none"> - not later than 12 months - between 12 months and 5 years - greater than 5 years | 54,664 – – | 170,943 32,364 – |
| | 54,664 | 203,307 |

The Group has non-cancellable leases over six premises in Australia, Chile and Peru with terms ranging from 1 to 6 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)

| | | |
|--|----------------|----------------|
| <ul style="list-style-type: none"> - not later than 12 months | 268,606 | 251,438 |
|--|----------------|----------------|

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19: OTHER COMMITMENTS AND CONTINGENT LIABILITIES

The Company has no material commitment other than lease obligations (refer Note 18 of the Annual Report) and mining access rights with respect to the Company's Mollacas Project.

The Chilean Supreme Court upheld a prior ruling by the Court of Appeal of Region IV, Chile, which overturned a decision granting access for mining purposes to Hampton Chile, a wholly owned subsidiary of Metminco and the owner of the Mollacas copper project, from a lower court.

The Company and Hampton Chile are assessing all options for gaining mining access to its Exploitation Concessions at Mollacas

The Company holds title to 21 Exploitation Concessions covering the Mollacas deposit and surrounding area, and owns 179 ha of land adjacent to the proposed open pit operation. It is proposed that the infrastructure for the planned 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 only be 40 litres/sec.

NOTE 20: OPERATING 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:

- 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: OPERATING SEGMENTS (continued)

i. Segment performance

| | MINERAL EXPLORATION | | NON-CORE RECONCILING ITEMS | | TOTAL | |
|--|---------------------|-------------------|----------------------------|-------------------|-------------------|-------------------|
| | 31 DEC 2015 \$ | 31 DEC 2014 \$ | 31 DEC 2015 \$ | 31 DEC 2014 \$ | 31 DEC 2015 \$ | 31 DEC 2014 \$ |
| Other Income | – | 571 | 4,445 | 9,564 | 4,445 | 10,135 |
| Total segment revenue | – | 571 | 4,445 | 9,564 | 4,445 | 10,135 |
| Total group revenue | – | 571 | 4,445 | 9,564 | 4,445 | 10,135 |
| Segment (loss)/profit before tax | (47,077,284) | (10,967,520) | (1,993,483) | (1,955,418) | (49,070,767) | (12,922,938) |
| (Loss)/profit before tax from continuing operations | (47,077,284) | (10,967,520) | (1,993,483) | (1,955,418) | (49,070,767) | (12,922,938) |
| Depreciation and amortisation expense included in segment result | 122,342 | 116,042 | 32,715 | 117,406 | 155,057 | 233,448 |
| Impairment expense included in segment results | 43,480,520 | 7,204,568 | – | – | 43,480,520 | 7,204,568 |

ii. Segment assets

| | | | | | | |
|--|-------------|-------------|-----------|-----------|-------------|-------------|
| Segment assets | 165,594,151 | 201,812,825 | 3,217,580 | 2,261,627 | 168,811,731 | 204,074,452 |
| Segment asset increases for the period | | | | | | |
| – capital expenditure | 2,563,547 | 2,501,533 | 3,977 | 5,166 | 2,567,524 | 2,506,699 |
| – acquisitions | – | – | – | – | – | – |
| | 2,563,547 | 2,501,533 | 3,977 | 5,166 | 2,567,524 | 2,506,699 |

iii. Segment liabilities

| | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Segment liabilities | 204,232 | 265,946 | 454,206 | 562,872 | 658,438 | 828,817 |
| <i>Reconciliation of segment liabilities to group liabilities</i> | | | | | | |
| Total group liabilities | 204,232 | 265,946 | 454,206 | 562,872 | 658,438 | 828,817 |

iv. Revenue by geographical region

Revenue is disclosed below, based on its location:

| | 31 DECEMBER 2015 \$ | 31 DECEMBER 2014 \$ |
|------------------------------|---------------------------|---------------------------|
| Australia | 4,445 | 9,564 |
| South America | – | 571 |
| Total revenue / other income | 4,445 | 10,135 |

v. Assets by geographical region

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

| | | |
|---------------|--------------------|--------------------|
| Australia | 3,217,580 | 2,261,627 |
| South America | 165,594,151 | 201,812,825 |
| Total assets | 168,811,731 | 204,074,452 |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 21: NOTES TO THE STATEMENTS OF CASH FLOWS

| | CONSOLIDATED | |
|--|---------------------|---------------------|
| | 31 Dec 2015 | 31 Dec 2014 |
| | \$ | \$ |
| a. Reconciliation of Cash | | |
| 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 | 949,790 | 1,192,693 |
| | 949,790 | 1,192,693 |
| b. Reconciliation of Loss from ordinary activities after Income Tax to net cash used in operating activities | | |
| Loss after income tax | (49,070,767) | (12,922,938) |
| Add/(less) non-cash items: | | |
| Depreciation and amortization | 155,057 | 233,448 |
| Exchange loss/ (gains) | 74,202 | 610,083 |
| Impairment of exploration properties | 43,480,519 | 7,204,568 |
| Provision for Chilean VAT | 2,825,214 | - |
| Changes in assets and liabilities: | | |
| Increase/(Decrease) in receivables | 23,011 | (9,662) |
| Increase in prepayments | 9,175 | 2,707 |
| (Decrease) in payables | (92,010) | (40,269) |
| (Decrease)/ Increase in provisions | (14,735) | 76,068 |
| Net cash used in operating activities | (2,610,334) | (4,845,995) |

c. Financing and Investing Activities

Share issue

During the full year ended 31 December 2015, 1,119,819,776 ordinary shares were issued. Details are set out in Note 16.

NOTE 22: EVENTS SUBSEQUENT TO REPORTING DATE

No matters 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.

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.

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.

Effective 1 January 2015 to 30 June 2015, Directors and executives voluntarily agreed to defer 40% to 50% of their remuneration and thereafter to a reduction 40% to 50%. From 1 July 2014 onwards 10% of the monthly remuneration was voluntarily deferred (\$85,361). Mr Read has deferred 100% of fees for services. All deferred amounts have been settled during the year by way of exercise of options or in cash during the year.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23: RELATED PARTIES (continued)

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 2015 was \$2,515,140 (31 December 2014: \$3,339,716).

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 2015 \$ | 31 December 2014 \$ |
| Cash and receivables | | | |
| Cash and cash equivalents | 8 | 949,790 | 1,192,693 |
| Trade and other receivables | 9 | 163,132 | 160,879 |
| Total cash and receivables | | 1,112,922 | 1,353,572 |
| Financial liabilities | | | |
| Financial liabilities at amortised cost | | | |
| – Trade and other payables | 14 | 317,058 | 472,705 |
| Total financial liabilities | | 317,058 | 472,705 |

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 24: FINANCIAL RISK MANAGEMENT (continued)

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 | 31 Dec | 31 Dec | 31 Dec | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Consolidated Group | | | | | | | | |
| Financial liabilities due for payment | | | | | | | | |
| Trade and other payables | 317,058 | 472,705 | – | – | – | – | 317,058 | 472,705 |
| Total contractual outflows | 317,058 | 472,705 | – | – | – | – | 317,058 | 472,705 |
| Total expected outflows | 317,058 | 472,705 | – | – | – | – | 317,058 | 472,705 |
| Financial assets - cash flows realisable | | | | | | | | |
| Cash and cash equivalents | 949,790 | 1,192,693 | – | – | – | – | 949,790 | 1,192,693 |
| Trade, term and loans receivables | 163,132 | 160,879 | – | – | – | – | 163,132 | 160,879 |
| Total anticipated inflows | 1,112,922 | 1,353,572 | – | – | – | – | 1,112,922 | 1,353,572 |
| Net (outflow)/inflow on financial instruments | 795,864 | 880,867 | – | – | – | – | 795,864 | 880,867 |

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 2015 | 31 December 2014 |
| | \$ | \$ |
| Cash assets held in Australian dollars and subject to floating interest rate | 240,625 | 124,028 |
| Australian currency equivalent of cash assets held in US dollars and subject to floating interest rate | 595,215 | 907,238 |
| Australian currency equivalent of cash assets held in UK pounds and subject to floating interest rate | 91,737 | 14,508 |
| Australian currency equivalent of cash assets held in Peruvian soles and subject to floating interest rate | 13,738 | 113,271 |
| Australian currency equivalent of cash assets held in Chilean pesos and subject to floating interest rate | 8,475 | 33,648 |
| Total cash assets | 949,790 | 1,192,693 |

| | INTEREST RECEIVED | WEIGHTED AVERAGE | INTEREST RECEIVED | WEIGHTED AVERAGE |
|--|----------------------|---------------------|----------------------|---------------------|
| Australian dollars and subject to floating interest rate | 4,225 | 0.39% | 5,295 | 0.12% |
| Australian currency equivalent in US dollars and subject to floating interest rate | 220 | 0.02% | 4,269 | 0.09% |
| 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% |
| Australian currency equivalent in Chilean pesos and subject to floating interest rate | — | — | — | — |
| Total interest received | 4,445 | 0.41% | 10,135 | 0.22% |

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 2015, 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 2015 | 31 December 2014 |
| | \$ | \$ |
| Change in profit | | |
| Increase in interest rate by 2% | 18,996 | 23,854 |
| Decrease in interest rate by 2% | (18,996) | (23,854) |
| Change in equity | | |
| Increase in interest rate by 2% | 18,996 | 23,854 |
| Decrease in interest rate by 2% | (18,996) | (23,854) |

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

| | CONSOLIDATED | |
|---------------------------------|-----------------------------|-----------------------------|
| | 31 December 2015 | 31 December 2014 |
| | \$ | \$ |
| Change in profit | | |
| Improvement in AUD to USD by 5% | (29,761) | (45,362) |
| Decline in AUD to USD by 5% | 29,761 | 45,362 |
| Change in equity | | |
| Improvement in AUD to USD by 5% | (29,761) | (45,362) |
| Decline in AUD to USD by 5% | 29,761 | 45,362 |
| Change in profit | | |
| Improvement in AUD to GBP by 5% | (4,587) | (725) |
| Decline in AUD to GBP by 5% | 4,587 | 725 |
| Change in equity | | |
| Improvement in AUD to GBP by 5% | (4,587) | (725) |
| Decline in AUD to GBP by 5% | 4,587 | 725 |
| Change in profit | | |
| Improvement in AUD to PEN by 5% | (687) | (5,664) |
| Decline in AUD to PEN by 5% | 687 | 5,664 |
| Change in equity | | |
| Improvement in AUD to PEN by 5% | (687) | (5,664) |
| Decline in AUD to PEN by 5% | 687 | 5,664 |
| Change in profit | | |
| Improvement in AUD to CLP by 5% | (424) | (1,682) |
| Decline in AUD to CLP by 5% | 424 | 1,682 |
| Change in equity | | |
| Improvement in AUD to CLP by 5% | (424) | (1,682) |
| Decline in AUD to CLP by 5% | 424 | 1,682 |

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 2015 | | 31 December 2014 | |
|---|-----------|--------------------|------------------|--------------------|------------------|
| | | Net Carrying Value | Net Fair Value | Net Carrying Value | Net Fair Value |
| Consolidated Group | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | (i) | 949,790 | 949,790 | 1,192,693 | 1,192,693 |
| Trade and other receivables | (i) | 163,132 | 163,132 | 160,879 | 160,879 |
| Total financial assets | | 1,112,922 | 1,112,922 | 1,353,572 | 1,353,572 |
| Financial liabilities | | | | | |
| Financial liabilities at amortised cost | (i) | 317,058 | 317,058 | 472,705 | 472,705 |
| Total financial liabilities | | 317,058 | 317,058 | 472,705 | 472,705 |

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 2015 | 31 December 2014 |
|---------------------------------|--------------------|--------------------|
| | \$ | \$ |
| STATEMENT OF FINANCIAL POSITION | | |
| Current assets | 952,765 | 987,906 |
| Total assets | 168,607,499 | 203,808,507 |
| Current liabilities | 411,850 | 515,648 |
| Total liabilities | 454,206 | 575,648 |
| Issued capital | 324,037,464 | 318,677,036 |
| Retained earnings | (155,951,927) | (115,684,995) |
| Reserves | 67,756 | 253,594 |
| | 168,153,293 | 203,245,635 |

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

STATEMENT OF COMPREHENSIVE INCOME

| | 31 December 2015 \$ | 31 December 2014 \$ |
|---------------------------------|---------------------------|---------------------------|
| Loss for the year | (40,266,929) | (3,534,164) |
| Total comprehensive loss | (40,266,929) | (3,534,164) |

The parent entity has lease commitments of A\$30,000. The parent entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end.

NOTE 27: SHARE BASED PAYMENTS

A total of 48,503,379 fully paid ordinary shares in the Company ("Shares") equivalent to A\$231,135 were issued in settlement of termination payment (20,045,258 Shares equivalent to A\$ 111,135 to a former employee) and in lieu of fees (21,156,558 Shares equivalent to A\$90,000 to LinQ Corporate Pty Ltd in settlement of corporate consulting fees and 7,301,562 Shares equivalent to A\$ 30,000 to Slipstream Resources Pty Ltd for investor relations related services).

NOTE 28: 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.

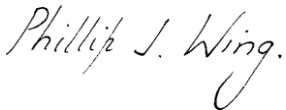
The Group's principal activities are exploration and development of mineral prospects primarily located in Chile and Peru, South America.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 43 to 73, 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 2015 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 2015
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 36 to 40 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 31 December 2015, comply with Section 300A of the Corporations Act 2001.

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



Phillip J Wing

Non Executive Director

Dated this 4th day of March 2016

Level 17, 383 Kent Street
Sydney NSW 2000

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Locked Bag Q800
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Sydney NSW 1230

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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 2015, 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 2015 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

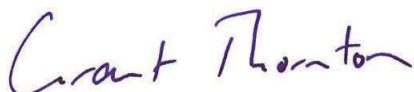
Without qualifying our conclusion, we draw attention to Note 1(a) to the financial statements which indicates the consolidated entity incurred a net loss of \$49,070,767, has net cash used in operations (including payments for exploration) of \$5,538,708 during the year ended 31 December 2015, and has a cash balance of \$949,790 as at that date. These conditions, along with other matters as set forth in Note 1(a), 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 36 to 40 of the directors' report for the year ended 31 December 2015. 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 2015, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C F Farley
Partner - Audit & Assurance

Sydney, 4 March 2016

SHAREHOLDER INFORMATION**1. Shareholding****a. Distribution of shareholders**

| SIZE OF HOLDING | Category | | Ordinary |
|----------------------|---------------|--------|---------------|
| | SECURITIES | % | NO OF HOLDERS |
| 100,001 and Over | 2,937,639,801 | 96.84 | 1,113 |
| 10,001 to 100,000 | 82,378,345 | 2.72 | 2,287 |
| 5,001 to 10,000 | 7,272,539 | 0.24 | 898 |
| 1,001 to 5,000 | 5,248,323 | 0.17 | 2,056 |
| 1 to 1,000 | 918,356 | 0.03 | 2,329 |
| Total | 3,033,457,364 | 100.00 | 8,683 |
| Unmarketable Parcels | 105,860,573 | 3.49 | 7,660 |

b. The names of the substantial shareholders listed in the holding company's register as at 1 April 2016 are:

| Category | Ordinary |
|---|-------------|
| SHAREHOLDER | NUMBER |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 193,620,950 |

c. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

d. 20 Largest shareholders – Ordinary shares

| NAME | NUMBER OF ORDINARY FULLY PAID SHARES HELD | % HELD OF ISSUED ORDINAR Y CAPITAL |
|--|---|---|
| 1 COMPUTERSHARE CLEARING PTY LTD | 739,948,652 | 24.39% |
| 2 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 217,543,683 | 7.17% |
| 3 CITICORP NOMINEES PTY LIMITED | 117,531,702 | 3.87% |
| 4 BARRICK GOLD CORPORATION | 75,000,000 | 2.47% |
| 5 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 74,376,761 | 2.45% |
| 6 WILNIC PTY LTD | 78,141,533 | 2.58% |
| 7 FINHILL CAPITAL PTY LTD | 51,000,000 | 1.68% |
| 8 HUMBER RESOURCES INC | 50,000,000 | 1.65% |
| 9 RMB AUSTRALIA HOLDINGS PTY LTD | 50,000,000 | 1.65% |
| 10 MINING INVESTMENT SERVICES PTY LTD | 35,465,000 | 1.17% |
| 11 TANGARRY PTY LTD | 34,701,264 | 1.14% |
| 12 MR STEPHEN CHIA-KUEI HSU & MRS JACQUELINE CHIU-YUEH HSU | 30,000,000 | 0.99% |
| 13 MR COLIN SINCLAIR & MRS MARIA EDITH JAUREGUIBERRY | 29,665,623 | 0.98% |
| 14 J P MORGAN NOMINEES AUSTRALIA LIMITED | 27,984,801 | 0.92% |
| 15 HAMMERFEST INVESTMENTS PTY LTD | 26,729,109 | 0.88% |
| 16 WOOD PARK AUSTRALIA PTY LTD | 25,759,147 | 0.85% |
| 17 MR VASILIOS VOTSARIS | 24,298,174 | 0.80% |
| 18 MR BRUCE CAMPBELL DONALDSON & MRS NOELA MAREE DONALDSON | 24,000,000 | 0.79% |
| 19 RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED | 21,430,080 | 0.71% |
| 20 ZTAK HOLDINGS PTY LTD | 20,000,000 | 0.66% |
| TOTAL | 1,753,575,529 | 57.80% |

Percentage holding of twenty largest shareholders is 57.80%

Total ordinary fully paid shares on issue: 3,033,457,364 shares.

e. As at 1 April 2016 the Company had on issue:

- 520,397,781 unlisted options @A\$0.005 (£0.0026) expiring 15 May 2016.
- 5,000,000 unlisted options @A\$0.0302 expiring 1 August 2017.

2. The name of the company secretary is Mr Philip Killen.

3. The registered office and principal place of business in Australia is:

Level 6

122 Walker Street

North Sydney NSW 2060

Australia

Phone: + 61 (0) 2 9460 1856, Fax: + 61 (0) 2 9460 1857

4. Registers of securities are held at the following address:

Link Market Services Limited

Level 12, 680 George Street

Sydney NSW 2000

5. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the company on all member exchanges of the Australian Stock Exchange and AIM Market of the London Stock Exchange.

6. Unquoted Securities

Options over Unissued Shares

A total of 525,397,781 options are on issue. 520,397,781 options are held by 881 holders of ordinary securities. 12,236,414 options are on issue by four directors.

Directors

Timothy Philip Read (*Chairman*)
William James Howe (*Managing Director*)
Dr Phillip John Wing (*Non Executive Director*)
Dr Roger John Higgins (*Non Executive Director*)
Francisco Vergara-Irarrazaval (*Non Executive Director*)
Stephen Tainton (*Executive Director*)

Company Secretary

Philip Killen

Registered Office

Level 6, 122 Walker Street
North Sydney
New South Wales 2060
Australia

Principal Place of Business

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Website

www.metminco.com.au

ASX and AIM Code

MNC

Share Registry

Link Market Services Limited
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680 George Street
Sydney NSW 2000

Depository

Computershare Investor Services PLC
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Bristol BS99 6ZZ
UK

Auditor

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