



COMPANY UPDATE

8 July 2013

KEY POINTS

- Metallica adapting to current market conditions by implementing reduced project activities including deferring the proposed SCONI Definitive Feasibility Study
- Metallica is focusing on off take agreements, funding options and permitting of its SCONI and Weipa projects
- No significant field work is planned or required for the remainder of 2013, unless the general market improves or project funding is secured
- Implementing corporate and administration cost reductions to conserve existing cash position

After due consideration of the weakness in current and expected market and business conditions, the sustained difficulty in attracting sufficient project funding, or strategic investor partnerships and the general weakness of equity markets, the Board of Metallica has decided that it is prudent to reduce non-essential project expenditure to conserve cash. The Board will revisit this decision once it has secured further funding. While the Board of Metallica has taken this considered decision in order to conserve cash, Metallica is continuing to pursue and explore project funding opportunities for its SCONI and Weipa projects, which includes identifying strategic investors.

It should be noted that the majority of the field work required for the feasibility into the development for both the SCONI project and the Weipa heavy mineral sands (HMS) project, has already been completed. The Company has also completed a significant amount of necessary testwork and engineering on both projects, and has a high level of confidence as to the technical viability of these two projects. The Company will continue actively progressing permitting of its key mining lease applications towards their grant.

Metallica's core project & financial assets:-

- **100% SCONI** (Scandium-Cobalt-Nickel) project northwest of Townsville in North Queensland, with successful Prefeasibility Study (PFS) completed in March, *see March Quarterly Report released 11 April 2013*. Designed scandium oxide or "scandia" production of over 50,000 kg p.a. for 20 years – continuing to seek strategic partners and funding
- **100% Weipa zircon-rutile** heavy mineral sands (HMS) project in far north Queensland, which includes the Urquhart Point HMS deposit, is being progressed towards its planned development, subject to the grant for the mining lease, obtaining zircon-rutile product offtake agreements(s) and adequate project funding – the Urquhart Point mining lease is expected to be granted in Q4 2013
- **30% MetroCoal Ltd (ASX:MTE) and 17% Cape Alumina Ltd (ASX:CBX)** listed share investments with a current combined market value of approximately A\$5.4 million
- Cash position as at 30 June 2013 of approximately **A\$3 million (and no debt)**
- Based on preliminary calculations, a Research and Development (R&D) tax rebate of approximately **\$3 million is expected in October-November 2013**

Corporate & Administration Cost Reduction

At this time, in the current major down turn in the resources sector, the directors believe it is prudent to significantly reduce project, corporate and administration expenditure to preserve cash and maintain its core project assets – SCONI and Weipa.

The value of Metallica's combined and listed investments is approximately \$8.4 million (and no debt) as at 30 June 2013. This should be boosted with a \$3 million R&D rebate. Metallica also has the added security of approximately \$5.4 million worth of listed ASX investments.

Management will continue negotiations with current and new potential project investors, and offtake partners to advance both projects.

Metallica Managing Director, Mr Andrew Gillies:-

"Metallica is well placed to move its two core projects to the development stage and has completed a substantial amount of technical work to date, such that there is a high degree of confidence in development potential. The SCONI Project is a unique project that requires strategic partners to fully implement a new and exciting critical metal market, scandium, this takes time and business confidence. By deferring any new major initiatives, the Company seeks to be mindful of preserving its important cash position and maintaining shareholder value, through continued efforts to complete necessary permitting and to develop important relationships with interested parties for offtake and project participation."

Further enquiries, please contact

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