



## Shareholders' Update – 2011-2012 AGM year overview

Dear Shareholder,

Well, it has been another very busy year, both in terms of developing our resource projects and in corporate activity.

First, I will give you an overview of our activities and milestones during the year up until our AGM on 22<sup>nd</sup> November 2012 in Brisbane and then I will touch on what our plans are for 2013.

### Projects

As you know, our three core asset groups are the SCONI Project in North Queensland; our heavy mineral sands projects; and our cash and listed investments.

Since the 2011 AGM, we have made major progress towards our goal of becoming the World's major supplier of scandium. This could not have been done without our CEO Gavin Becker and our exemplary SCONI feasibility and development team.

We have doubled the Indicated and Measured scandium resource at SCONI which contains 4,600 tonnes scandium oxide and completed a Scoping Study which indicated the project would have an estimated Net Present Value of \$870 million, an average annual operating margin of \$213 million and an Internal Rate of Return of 23.1%.

We also have proven our proprietary technology through the production of a kilogram of high purity scandium oxide and we have expanded our knowledge of the scandium market and developed contacts and relationships with scandium users around the World.

These advances and the merits of the SCONI project have allowed us to secure a major partnership and binding offtake agreement with US fuel cell manufacturer Bloom Energy.

We have also forged a strategic alliance with European master alloy company KBM Affilips which has a close relationship with the aerospace and automobile industries. Feedback gathered during our international Scandium marketing campaign suggests that the market is potentially very large. In particular, there is enormous growth potential in the solid oxide fuel cell and scandium/aluminium alloys industries.

We believe scandium is a market waiting to happen and SCONI has the excellent potential to supply it.

For this reason, the Definitive Feasibility Study, further scandium offtake agreements and partnerships and financing strategies for SCONI will be a major focus for Metallica in 2013. We have recently appointed London based resource financing specialist Cutfield Freeman & Co to explore funding options for SCONI.



During the year, we also progressed our Weipa zircon-rutile Heavy Mineral Sands Project, with permitting advancing considerably and our Environmental Impact Statement submitted in August 2012. Subject to permitting and funding of development, the project has excellent potential to generate cash flow starting in late 2013.

Our Due Diligence on the Gippsland zircon-rutile heavy mineral sands earlier this year has defined a 1.7 billion tonne resource. However, we are still evaluating the commercial aspects including discussions with potential partners ahead of the Rio Tinto option-to-purchase decision in mid-December.

### Corporate Activity

In mid-2012 we sold our shareholdings in both Planet Metals and Orion Metals which provided extra working capital of approximately \$4.1 million.

This has simplified our asset structure in-line with the wishes of our shareholders and the investment community, and has enhanced our focus on our core projects of SCONI and Weipa. In December-January this year we also divested 15.7 million of our 80 million shares in MetroCoal Limited, bringing in a further \$7.8 million for working capital.

In April, we established a \$5 million short-term loan facility of which we have drawn down \$1 million to date.

In early November we completed \$3.3 million placement to sophisticated and institutional investors. Further enhancing our cash position, we last week received a \$2.65 million Research & Development tax refund for our ground-breaking metallurgical testwork on SCONI.

With currently over \$9 million in cash and two listed investments - Metrocoal (30%) and Cape Alumina (20%) – that together are worth around \$15 million, Metallica has a total of over \$24 million in cash and shares. When this is compared to our market capitalisation of around \$34 million (at a share price of 23 cents per share) it is clear to us that Metallica Minerals remains substantially undervalued.

We plan to further progress the intrinsic value of our assets through 2013 and hope this will be fairly reflected in our share price.

### Outlook

Looking ahead, our focus for 2013 will be on progressing SCONI through the Definitive Feasibility Study and permitting with the goal of commencing scandium-cobalt-nickel production in late 2015-early 2016. In parallel, we will seek to establish further scandium offtake and strategic alliance agreements with end users and to attract funding partners.

During the year we will also, subject to permitting, develop our Weipa heavy minerals sands project in order to establish cash flow from the sale of zircon-rutile product.

This has been a very productive year for Metallica in which our key projects have progressed substantially towards development and I would like to thank our dedicated team for their efforts and our shareholders for their continued support.