



ASX RELEASE

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Metallica's successful seed capital raising for MetroCoal – a coal, fuels and energy subsidiary

Queensland resources group, Metallica Minerals (ASX:MLM), has successfully raised \$1.5 million in seed capital for its MetroCoal Ltd subsidiary – paving the way for the potential float and ASX listing of a new Australian coal, associated fuels and energy focused company.

The seed raising represents the first step in the establishment of the pure play coal and coal fuels company to develop seven coal exploration tenements covering a combined 4,000 square kilometres of the Surat Basin in southern Queensland, *see Figure 1*.

The \$1.5 million raising was placed primarily through Southern Cross Equities and ABN Amro Morgans Sydney. Metallica retains 84% of MetroCoal.

"This strategy adds considerable value to Metallica, allowing it to focus on its core business as a nickel-cobalt developer in North Queensland while creating a real opportunity for MetroCoal to be a dedicated coal and energy company, to grow in the emerging Underground Coal Gasification (UCG) and Coal to Liquids (CTL) energy fuels sectors," Metallica's Managing Director, Mr Andrew Gillies, said today.

The UCG process enables deeper coal deposits (150-350m) to be converted into syngas (or coal gas – comprising mostly CO+H₂) suitable for use as a fuel in power generation or the manufacture of petro-chemical products, including diesel.

Metallica previously outlined (refer to ASX release dated 22 May 2008) its intention to raise the seed capital to fund a 5,000 metre drill program to assess the resource potential in specific target areas within the seven Surat Basin tenements.

MetroCoal IPO plan

Mr Gillies said MetroCoal has a strong team in place, headed up by Mike O'Brien as CEO, who has considerable experience in the coal industry, and Neil Forbes



as exploration manager. The Directors are David Barwick as Chairman, with John Haley, Michael Hansel and myself as Non-executive Directors.

“Most of the drilling is expected to be completed by late this year, to provide the confirmation of attractive large targets and expand the Surat coal and UCG-CTL project data base for a proposed MetroCoal IPO and ASX listing early in 2009, but would not rule out late 2008.”

“Recent activity in the Australian energy sector in general, and in the UCG and CTL sector in particular, has reinforced Metallica’s view that MetroCoal’s Projects which are underlain by a vast area of coal strata, can – in addition to conventional coal mining - form the foundation of a world-class petrochemical industry in the Surat coal basin, producing clean diesel, other fuels and chemical products,” Mr Gillies said.

“To deliver this strategy, MetroCoal will in the near term concentrate on proving up its coal deposits before locking in their respective development options – whether in export thermal coal, UCG-CTL, and or electricity production,” he said.

“Enduring high export coal prices will allow MetroCoal to continue to pursue opportunities for underground mining or, where possible, opencast mining in areas of the tenements where the coal seems are of appropriate thicknesses or are too shallow for UCG.”

“We believe coal, petrochemicals and energy prices generally will remain high or go higher, and MetroCoal is an excellent exposure to this sector of the market”.

Conserving Metallica cash reserves

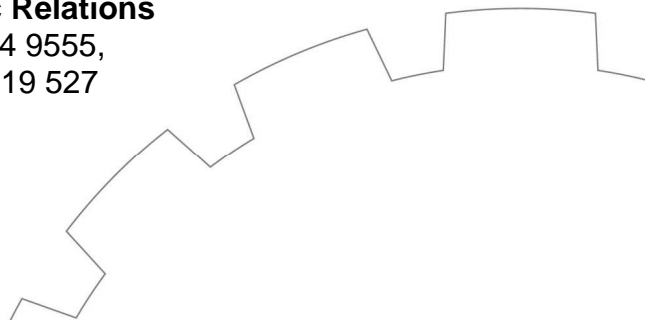
Mr Gillies said the \$1.5 million MetroCoal raising would conserve Metallica’s existing cash reserves of over \$6 million and its share investment in Cockatoo Coal Ltd (COK) worth (on current prices) approximately \$22 million.

“Metallica continues to look for opportunities to enhance and fund its core nickel projects and to divest or joint venture its non-Nickel-Cobalt mineral properties, such as its MetroCoal assets,” he said.

“This in turn enables Metallica to maintain focus on its key Flagship NORNICO nickel project which is currently undergoing a Feasibility Study into becoming a long term nickel producer at approximately 8,000tpa Ni.

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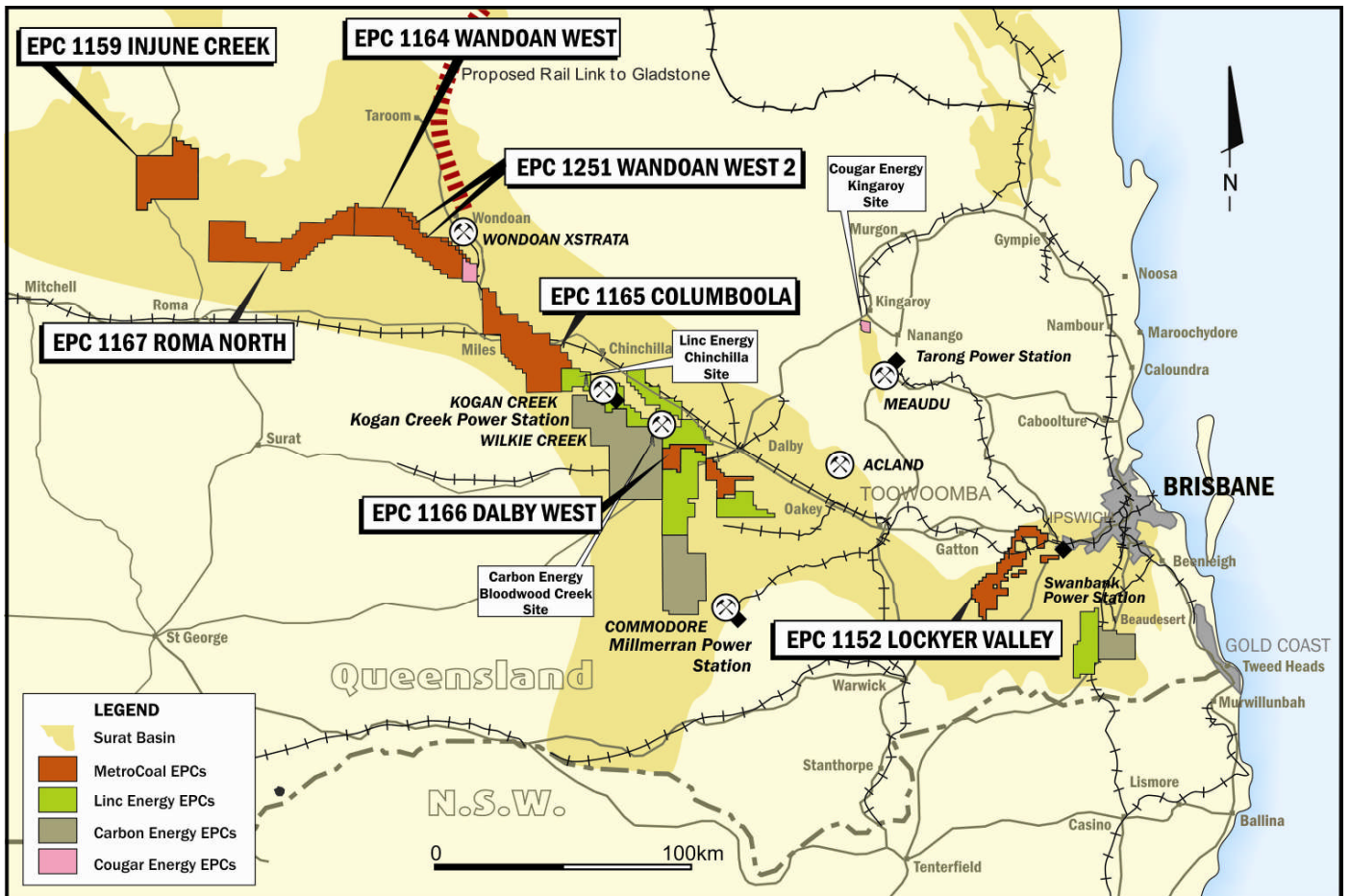


Figure 1: MetroCoal's Seven Coal Tenements and other UCG-CTL Companies Tenements