



ASX RELEASE

28 October 2008

METALLICA'S HOLDING IN KEY AUSTRALIAN BAUXITE PLAY TO BENEFIT FROM CAPE ALUMINA IPO & ASX LISTING

- Metallica has a 40% shareholding in pure bauxite play, Cape Alumina Limited
- Cape Alumina has announced a A\$15m capital raising via an IPO targeting December 2008 ASX listing
- \$10.25m of the Offer's \$15m minimum subscription this already pre-committed
- Strong Chinese investment interest, with provision for \$10m in oversubscriptions
- Cape Alumina is seeking MLM investor support to achieve shareholder spread

Dear Metallica Shareholder,

Metallica's 40%-owned bauxite explorer and developer, Cape Alumina Limited, has just announced ([see attached release](#)) and lodged a A\$15 million Initial Public Offer (IPO) and plan to list on the Australian Securities Exchange early in December this year. On listing, Metallica will remain the largest shareholder with around 30% of Cape Alumina's share equity.

Cape Alumina is a unique investment opportunity because of its 100%-ownership of one of Australia's largest undeveloped bulk bauxite ore deposits - Pisolite Hills in Queensland's western region of Cape York Peninsula's renowned world-class Weipa Bauxite Province - and an established partnership with one of China's largest alumina and aluminium producers.

Bauxite is a commodity in high, long-term global demand for the production of aluminium and has for decades, endured large equity and metals market cycles. Cape Alumina is confident of bringing its Pisolite Hills bauxite deposit to commercial fruition (subject to feasibility study), thereby securing a strategic position in the rapidly growing Asia-Pacific bauxite trade.

This is an exciting and we expect rewarding, development for Metallica, a milestone for Cape Alumina and an excellent example of Metallica's business model to create added value for shareholders through the development of new and highly prized natural resource projects.

Cape Alumina is offering 30 million shares at A\$0.50 each to raise A\$15 million, with provision for oversubscriptions of a further A\$10 million. The Company plans to list on the Australian Securities Exchange early in December this year. The minimum subscription to become a Cape Alumina shareholder is \$2,000.



The successful completion of the capital raising will unlock significant value in Metallica's equity interest in Cape Alumina. Based on achievement of the minimum subscription and issue price of A\$0.50 per share, Metallica's interest in Cape Alumina will be valued at around \$20 million which translates to an indirect interest of approximately \$0.17 per Metallica share for **every Metallica shareholder**. However, this value uplift will only occur if Cape Alumina achieves listing on the ASX.

Cape Alumina has already received IPO pre-commitments for a minimum of \$10.25 million from existing substantial shareholders and another new Chinese company investor whose \$5 million investment is already in an Australian trust account. That aside, and as hugely welcome as it is, Cape Alumina needs to achieve a more fundamental IPO requirement of a spread of 400 shareholders to successfully list on the ASX.

As a registered Metallica shareholder, you have a priority allocation to subscribe for a minimum of 4,000 shares at a total cost of \$2,000 and additional lots in multiples of \$500. No brokerage is payable on the acquisition of these shares.

Some nervousness about the current equity market environment and your personal investment strategies is understandable. However, take some comfort in that your Directors have for some years now, helped evolve this new and unique bauxite opportunity.

We firmly believe that, despite current market volatility, there are compelling factors about the Cape Alumina IPO and listing that warrant more objective scrutiny of the Company's potential to become one of the relatively small but successful group of major global bauxite suppliers. Hence, we encourage you to consider becoming a Cape Alumina shareholder as a "**medium term**" investment as compared to a short-term investment often associated with IPOs.

The objective of the Cape Alumina IPO and listing is to fast-track the evaluation, feasibility and development of Cape Alumina's key asset, the advanced 101 million tonne Pisolite Hills bauxite deposit.

Pisolite Hills' Bankable Feasibility Study is due for completion late next year with an objective of **first production from 2012-2013** at 7 million tonnes per annum (Mtpa). Output is primarily targeted for export to the alumina refinery market in China, the world's largest alumina consumer and which needs reliable long-term supplies of imported bauxite. China's bauxite imports have risen dramatically from 1Mtpa just four years ago to around 25-30 Mtpa this calendar year – strong market dynamics by any standard.

As discussed above, existing substantial shareholders in Cape Alumina - Chinese aluminium house, Xinha, and Colorado-based resource investor, Resource Capital Fund, as well as a new company with links to another major Chinese alumina-aluminium company - have already committed a minimum of \$10.25 million to the IPO and potentially up to \$15.5 million. Xinha has also signed an offtake agreement to buy bauxite from Pisolite Hills.



Without such strong fundamentals, Metallica's Directors would not have pursued the Cape Alumina IPO in such a challenging market. Cape Alumina represents a combination of investor, market and business growth factors normally unavailable to support many Australian resource company IPOs – even in more normal market conditions.

The Cape Alumina offer is being made pursuant to a Prospectus dated 27 October 2008 which is available free of charge by contacting Cape Alumina on +617 3229 3644, by email to info@capealumina.com.au or by downloading from Cape Alumina's website at www.capealumina.com.au. Prior to making an investment decision, you should consider the Prospectus carefully.

We believe these unique project and investor support factors, together with a successful listing, will set Cape Alumina on the path to strong shareholder value creation over the next few years and ideally position the Company to benefit from the widely forecast and expected upturn in market demand from China and elsewhere.

The Offer opens on the 4th November. If you elect to acquire Cape Alumina shares, you will need to complete the Prospectus application form accompanying the downloaded Prospectus. To request a printed copy of the Prospectus please advise using the pre-prepared envelope being sent with this letter.

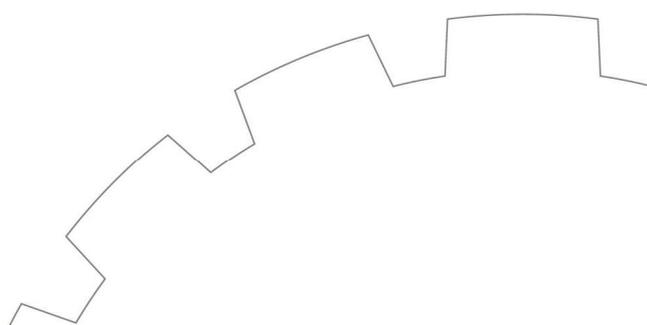
We urge you, once you have made your investment decision, to expeditiously return your application so that Cape Alumina can close the Offer as soon as possible. Your Directors encourage you to give this Offer every consideration and support.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Andrew Gillies', written in a cursive style.

Andrew Gillies

Managing Director





28 October 2008

Cape Alumina Ltd launches \$15m IPO to fund Cape York Bauxite Project

Emerging bauxite producer Cape Alumina Limited is forging ahead with plans to raise \$15 million through an Initial Public Offering (IPO) to fund pre-development of the Company's promising Pisolite Hills bauxite mining project on Queensland's Cape York Peninsula.

Cape Alumina, which is 40% owned by the listed commodity resource company, Metallica Minerals Limited (ASX Code:MLM) today registered a prospectus with the Australian Securities and Investment Commission (ASIC) to support the IPO and planned listing on the Australian Securities Exchange in December this year.

The offer of a minimum of 30 million shares at \$0.50 per share is scheduled to open for applications on 4 November 2008 and will accommodate oversubscriptions for up to a further 20 million shares enabling the Company to raise up to \$25 million. Assuming the minimum subscription, Cape Alumina's issued capital will be 130 million shares and its market capitalisation at the offer price will be \$65 million.

Cape Alumina's Chairman-elect, Mr George Lloyd, said the Company had been able to press ahead with the IPO in spite of recent market turbulence after receiving, ahead of today's launch, a minimum of \$10.25 million in commitments from existing shareholders Chiping Xinfu Huaya Alumina Co Ltd (Xinfu) and Resource Capital Funds (RCF), and from major new investor Run Bo Investment Holding Co Ltd (Run Bo).

"This support underpins the potential of Cape Alumina's projects to help meet China's rising demand for raw materials. It also reflects well on the strength of the Company's management team and the quality of its major shareholders including its cornerstone investors, and Metallica," Mr Lloyd said.

The primary use of the funds to be raised through the IPO is to complete an environmental impact study and a feasibility study for the development of the Pisolite Hills bauxite deposit, which is located within the world class Weipa Bauxite Province of western Cape York, and to undertake extensive regional exploration programmes aimed at increasing the Company's bauxite resource base there" he said..

Xinfu, one of China's largest alumina refiners, acquired a 17.5% stake in Cape Alumina early in 2007 and has entered into an offtake agreement with Cape Alumina for the supply of 1 million tonnes of bauxite per year over five years.

"This is a strong endorsement of our Company's development plans and its assets," Mr Lloyd said. In the interest of maximising market exposure, the Board has elected to defer any further off-take negotiations until after completion of the Pisolite Hills Bankable Feasibility Study in 2009.

As part of the Offer, Metallica Shareholders on the Record Date (October 31, 2008) will receive priority for a period of two weeks from the Opening Date of a minimum guaranteed parcel of 4000 Shares or \$2000 worth.

It takes 4-8 tonnes of bauxite to produce one tonne of aluminium. Chinese aluminium consumption grew 39% in 2007 and global demand for aluminium is expected to continue to increase over the long term.

Cape Alumina has an established resource base of 101 million tonnes (Mt) of insitu bauxite (comprising 76Mt Indicated Resource and 25Mt Inferred Resource at an average grade 53.5% Al₂O₃, 12.2% SiO₂, reactive silica 7.4%) with significant upside potential.

“The Company has an experienced Board and an experienced and highly motivated management team which, together with other key stakeholders, are committed to ensuring near-term bauxite production and a long production life,” Mr Lloyd said.

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If you want to acquire Cape Alumina shares you will need to complete the Prospectus application form accompanying the Prospectus.

Competent Persons Statement

The mineral resources information in this report is based on, and accurately reflects, information compiled by Dr Paul Messenger BSc (Hon) Geology, PhD (CEO of Cape Alumina Ltd) who is a Member of the Australasian Institute of Mining and Metallurgy. Dr Messenger has the relevant experience in relation to the mineralisation and resources being reported upon to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves'. Dr Messenger consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

INVESTMENT HIGHLIGHTS

- Emerging bauxite producer with substantial land position covering approximately 2,400 km² in the world-class Weipa Bauxite Province in Cape York, Queensland, Australia.
- Production targeted for export primarily to China's alumina refinery market.
- Pisolite Hills Project believed to be the largest independently owned JORC code-compliant bauxite resource in Australia with significant expansion potential.
- Pre-feasibility study completed July 2008, Bankable Feasibility Study planned for completion late 2009 and production planned to commence in 2012-13
- Proposed bauxite production of up to 7 million tonnes per year for export.
- Established relationships with key Chinese aluminium companies including Xinfra.
- China is the world's largest alumina consumer and alumina producer with bauxite imports growing from 1 Mtpa in 2004 to a forecast 25-30Mtpa in 2008.
- Existing substantial shareholders Xinfra and Resource Capital Fund (RCF) to subscribe to the IPO and maintain their interests at a minimum of 17.5%.
- Firm commitments of a minimum of \$10.25 million already received for subscription to the IPO.
- Four exploration access agreements in place with traditional land owner groups

KEY DATES

Metallica Record Dated	31 October 2008
Applications Open	4 November 2008
Applications Close	28 November 2008
Allotment of Shares under this Prospectus	2 December, 2008
Dispatch of Statements of Shareholder Entitlements	4 December, 2008
Anticipated Date of Trading of Shares listed for quotation on ASX	8 December, 2008

About Cape Alumina and Pisolite Hills Bauxite Project

Cape Alumina is a Brisbane-based, Cape York-focused emerging bauxite company. Cape Alumina has international support from Chinese alumina majors including Xinfra, one of China's leading independent aluminium and alumina groups. Cape Alumina is evaluating the development of the 7Mtpa Pisolite Hills project and plans to complete an Indigenous Land Use Agreement, Environmental Impact Study and Bankable Feasibility Study in 2009 with permits and approvals in 2010, finance and construction between 2011 and 2012 and production to commence 2012-13.

For further enquiries please contact

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Media

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