

Flash Note – Metallica Minerals Limited (ASX: MLM)

Initial Bauxite Resource at Urquhart Point (Weipa) – Supports Low Cost Direct Shipping Strategy

May 20, 2015

EVENT

- Initial Urquhart Point Direct Shipping Bauxite (DSB) Resource:
 - 7.5Mt inferred resource grading at 51% total Al₂O₃ and 16.3% SiO₂
 - Includes a marketable 4Mt higher grade domain (just in Area A) grading at 53.3% total Al₂O₃ and 13.0% SiO₂, with 40.6% available Al₂O₃ and 4.9% reactive silica
 - The resource will form the basis of an internal Scoping Study or Conceptual Development Study to be completed in June
 - Strategy is to develop a 1.5-2.0mtpa low capital and operating cost operation
 - Aiming for project approvals to be completed in late 2016.

BREAKAWAY COMMENTS

The recently completed initial resource estimation for Metallica's 60% held (reducing to 50% in a JV with Ozore) Urquhart Point Bauxite Project supports the Company's plan to develop an initial 1.5-2.0Mtpa low capital and operating cost DSB operation (i.e. no screening or upgrading required). Results to date indicate that the overall potential direct shipping resource of 7.5Mt (using a 45% Al₂O₃ lower cut-off) contains at least 4.8Mt of readily marketable bauxite.

Urquhart Point Bauxite Resources at a 45% Al₂O₃ Cut-off

Area	DSB In-Situ			Screened 1.2mm			
	Kt	Al ₂ O ₃ %	SiO ₂ %	Kt	Yield %	Al ₂ O ₃ %	SiO ₂ %
A	5121	52.0	15.0	3769	73.6	56.8	7.0
B	2366	48.8	19.0	1505	63.6	54.4	9.3
Total	7487	51.0	16.3	5276	70.5	56.1	7.6

As shown in our initiation report, this resource comprises two areas – the northern Area A and southern Area B, with Area A generally being of higher quality. The bauxite stratigraphy is also subdivided between a higher quality lower domain defined by <15% total SiO₂ and +48% total Al₂O₃, and a higher silica upper domain, with lower domain resources shown below.

Urquhart Point Lower Profile Bauxite Resources

Area	DSB In-Situ					Screened 1.2mm			
	Kt	Al ₂ O ₃ %	SiO ₂ %	AAI %	RxSi %	Kt	Yield %	Al ₂ O ₃ %	SiO ₂ %
A	3987	53.3	13.0	40.6	4.9	3037	76.2	57.1	6.7
B	777	52.7	13.2	-	-	486	62.6	56.1	7.0
Total	4764	53.2	13.0	-	-	3523	74.0	56.9	6.7

The quality results from Area A as shown above, which has a more continuous lower domain, indicate a marketable product, with low temperature, 150° C analyses returning an average available alumina ("AAI") grade of 40.6% and 4.9% reactive silica ("RxSi"), from the lower domain resource of 4Mt grading at 53.3% total Al₂O₃ and 13.0% SiO₂. These results indicate the majority of the silica is in quartz, and not clays.

No AAI or RxSi assays have been carried out as yet on Area B (or for that matter on the upper domain in both areas), however we still see the potential for readily marketable material to be produced from Area B, which has 777Kt grading at 52.7% Al₂O₃ and 13.2% SiO₂ in the lower domain, which are similar grades to those at Area A. In addition in the later years of the proposed operation there is potential for upgrading the remaining resource by dry screening the bauxite to exclude a major portion of the fines (<1.5mm) to make the bauxite marketable, albeit with slightly higher operating cost and likely discount compared to the DSB sale price.

The resource size will support only a modest operation (potentially 4-6 years if operated in conjunction with Hey Point – see below), however we do consider this feasible, given the potentially low operating and capital costs, and thus with the capacity to return healthy margins – we consider our previously reported operating margin estimates of \$10-\$20/tonne as very feasible. There are potential synergies with the nearby 2.5Mt Hey Point resource, owned by a private company, Victorian Ferries, a major shareholder of Metallica.

The location of the mineralisation, immediately south of the Embley River at Weipa will result in a short (<12km) trucking distance to a barge loading facility adjacent to the main Embley River shipping channel at Urquhart Point (or alternatively Hey Point), and an approximately 2km barge to self-loading Handimax vessels moored in the Jackson Channel at the mouth of the river on the gulf coast. Mining costs will also be low, by virtue of the shallow (<7m) and free dig nature of the lateritic mineralisation.

Again, by virtue of location, capital costs are expected to be very low with expected early payback, and there may also be synergies with the Urquhart Point HMS Project which the JV is currently developing.

In our view these results support Metallica’s strategy to develop Urquhart, and use operating cash flow to fund further activities in the overall Cape York HMS and Bauxite Project.

Given the above we maintain our Speculative Buy rating for MLM.

Company Information

ASX Code	MLM
Share Price	A\$0.054
MCAP	A\$9.0m
Cash (31/3/15)	A\$2.1m
Debt	A\$0.0m
EV	A\$6.9m

