

Metallica Minerals

Mining

23 April 2013

Investment summary: SCONI Scandium play

Metallica Minerals has announced a positive pre-feasibility study result for its 100% owned flagship SCONI scandium project, which clears the way for the next step towards production targeted for early 2016. In close proximity to existing infrastructure and with a scandium offtake and strategic alliance agreement in place, the company aims to leverage its sizeable resource to target supply opportunities given the metal's scarcity and demand in the manufacture of high-value aluminium products.

SCONI Scandium project – DFS planned for 2013

The SCONI Scandium project is located 250km by road from Townsville, Queensland, and includes the three main deposits of Kokomo, Greenvale and Lucknow. On a combined basis, the JORC-compliant resource estimate for SCONI currently stands at 59.5Mt at 0.51% Ni, 0.07%Co, 64g/t Sc for contained scandium metal of 3.8kt. A PFS completed in March 2013 supports the construction of a processing plant and open-pit mining operation at the Lucknow scandium deposit for projected average annual production of 51tpa of scandium oxide over 20 years, with capex of A\$247m. A planned DFS, costing A\$10m, is due by end CY13.

Scandium offtake agreement in place

Metallica has entered a binding heads of agreement with US-based solid oxide fuel cell manufacturer Bloom Energy for the sale of up to 30-60tpa scandium oxide (99% purity) from the SCONI project over a five-year period, with an option to extend by another five years. In addition, Metallica has entered a non-binding MOU for a strategic alliance with the Netherlands-based alloy manufacturer KBM Afflips.

Zircon-rutile Mineral Sands projects DFS underway

Metallica's Cape York Mineral Sands project covers c 2,000sq km of Western Cape York. It includes seven exploration permits (EPM) for minerals, eight EPM applications, and one mining lease application over Urquhart Point, located 5km south of Weipa, with an indicated resource of 2.8Mt at 7% total heavy mineral, which could enter zircon-rutile production by early 2014 pending the current DFS.

Valuation:

The pre-feasibility study valued the SCONI project at A\$273m, using an 8% discount rate, which equates to A\$1.87 per existing MLM share. That said, however, a pre-production cost estimate of A\$247m implies potential for material stock dilution given any future capital raising via equity.

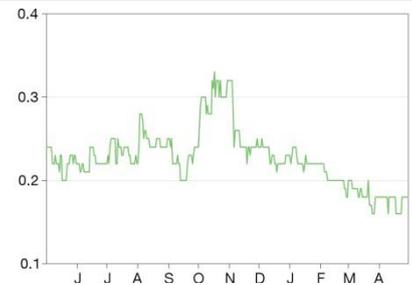
Historic financials

Year end	Revenue (A\$m)	PBT (A\$m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
06/10	0.6	(3.5)	(1.0)	0.0	N/A	N/A
06/11	0.4	(0.2)	(1.0)	0.0	N/A	N/A
06/12	0.3	(27.1)	(2.7)	0.0	N/A	N/A

Note: Bloomberg, company reports

Price **A\$0.17**
Market cap **A\$25m**

Share price graph



Share details

Code MLM
Listing ASX
Shares in issue 145.8m

Business description

Metallica Minerals is an ASX-listed resource development company with mineral projects in Queensland. The company's key project is the SCONI Scandium project located north-west of Townsville in North Queensland.

Bull

- Sizeable resource in constrained market.
- Close proximity to infrastructure.
- Offtake agreements in place.
- Cash of A\$3.6m as at 1 April 2013.

Bear

- Funding risk.
- Development risk.
- Scandium price volatility.

Analysts

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