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DEVELOPMENT DECISION BY METALS FINANCE CORPORATION ON METALLICA'S LUCKY BREAK NICKEL PROJECT

Metallica Minerals (ASX Code 'MLM') is pleased to announce that Metals Finance Corporation (MFC) will proceed with the \$20 million development of Metallica's Lucky Break Nickel project, west of Townsville in Queensland. MFC has participated in the Project since late 2005, and has carried out metallurgical and other testwork since then, culminating in a recently completed Feasibility Study.

First production from the Lucky Break project, the first new nickel mine development in Queensland for fifteen years, is expected in the third quarter of next year.

MFC will entirely fund the development of Lucky Break which is expected to produce a cash surplus of approximately A\$88 million before tax over four years.

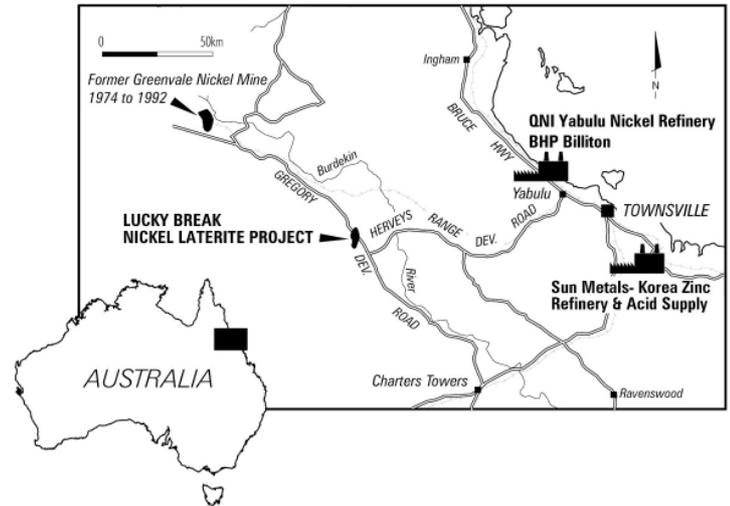
The Lucky Break project is favourably located 140 kms via sealed road from Townsville. Metallica's Managing Director, Mr Andrew Gillies, said the company was delighted at the development decision by MFC which follows a Feasibility Study indicating the project has robust economics.

"Most importantly, development of the modest sized Lucky Break nickel operation will provide valuable technical expertise, verification and practical know-how of the atmospheric (heap leach and vat leach) processes for Metallica's own proposed development of the much larger 1.5 million tonne per annum NORNICO Heap Leach operation, producing in the order of 10,000 tonnes Ni (in intermediate product) per year," he said.

"We are pleased to have MFC as a party to the Lucky Break nickel leaching project as they are specialists in the provision of metals processing expertise, feasibility analysis, process plant development, and financing of small to medium sized metal recovery projects. This joint venture covers only the Lucky Break development, Metallica will continue with its 100% holding in the much larger NORNICO nickel laterite project which will benefit greatly from the "stepping-stone" Lucky Break development as a start-up commercial operation."

"Metallica is confident that MFC will be able to expeditiously develop and finance a cost effective well designed operation, both in terms of cost per tonne of ore and nickel product produced. We want to get in to nickel production and cashflow in the quickest and most efficient way".

MFC's Feasibility Study was prepared by Process Technologies Australia Pty Ltd who have relevant experience in metallurgical flow sheets and design of nickel laterite atmospheric leach projects.





Key items and results of the Feasibility Study are:-

- Annual processing rate of 250,000 tonnes of nickel laterite feed for combined vat and heap leach nickel extraction facility. The heap leach pads will be re-usable (see *Site Layout Plans attached*).
- Forecast nickel extractions of 85% with rapid leach times of around 3 months based on detailed metallurgical test work.
- Annual average production of 1,600 tonnes of contained nickel in a carbonate intermediate product (~40% Ni).
- Local acid supply from Sun Metals, the average acid consumption is estimated at 425 kg/t ore.
- Nickel carbonate product offtake agreement under discussion.
- Minimum life of 4 years based on the Dingo Dam and Circular Laterite nickel deposits containing approximately 8,200 tonnes of nickel metal to a maximum depth of 35m.
- The average grade is 0.86% Ni with a very low waste/ore strip ratio of 0.4.
- Water will be sourced from the Burdekin River approximately 20 km east of Lucky Break.
- The Dingo Dam Mining Lease has been granted and the adjoining 242 Hectare Mining Lease Application (ML 10332) which covers the Circular Laterite Pit, all processing plant and infrastructure (see *Site Layout Plans attached*) is going through the permitting process with grant expected late 2007-early 2008.
- MFC has commenced detailed engineering of the project with scheduled commissioning and first nickel product expected third Quarter 2008.
- Capital Cost approximately \$20 million (completely funded by MFC) with payback expected by end year 1.
- Financial model of the project was based on nickel prices of US\$16 per pound in year 1, US\$ 12.5/lb yr 2, US\$ 8.6/lb yr 3, US\$ 7.6/lb yr 4, and an average exchange rate of AU\$/US \$ 0.82c.
- The model shows the project should produce a cash surplus of approximately A\$88 million before tax, over a 4 year period. Under the assumptions included in the model project NPV (10% discount rate) is approximately A\$46 million (pre-tax). Following capital repayment Metallica has a 60% interest in the operating surplus.

In addition to the nickel leaching laboratory test work by Metallica using HRL Testing Pty Ltd in Brisbane, MFC completed a comprehensive pilot heap and vat leach nickel programme on the Lucky Break ores from late 2006 to May 2007, *for more information see ASX released Metallica Quarterly Report 30 April 2007*. The independent Feasibility Study has been based on the results of a critical review of this program and the results thereof.

The Lucky Break Resource used for the Feasibility Study was based on the March 2006 resource study which estimated a Measured, Indicated and Inferred Resource of 1.02 Mt @ 0.80% Ni as categorised in the Table below.

Lucky Break Project Resource (Dingo Dam and Circular Laterite)

	Tonnes	Ni (%)	Co (%)	Ni (T)	Co (T)
Measured	544,178	0.87	0.06	4734	327
Indicated	44,122	0.87	0.06	384	26
Inferred	434,600	0.71	0.04	3,086	174
Total	1,022,900	0.80	0.05	8,204	527

This resource estimate was based on 172 RC holes (total 3,368m) drilled to an average depth of 20 metres. In May 2007, 106 additional drill holes (DD-141 to DD-246) for 2,238m have been drilled into the Dingo Dam and Circular Laterite deposits in Lucky Break. Sterilization and geotechnical drill holes were completed over areas of proposed infrastructure development. MFC has taken in to account the additional drilling of the infill and step out drilling over the Circular Laterite deposit to allow for future conversion of the Inferred category to at least an Indicated



category. A new resource and revised pit plan for the Circular Laterite deposit will be undertaken early in the development phase.

The atmospheric leach nickel extraction process provides a lower cost and high return development option for the Lucky Break and NORNICO (including a sulphur burning acid plant) projects (Metallica holds 100% of the NORNICO Project). Provided the nickel ore type is amendable for leaching and in a favourable location, we believe atmospheric dilute acid leaching will allow for smaller plant size, increase flexibility with shorter feasibility and construction timeframes, thus making smaller scale operations such as Lucky Break commercially feasible.

This development is good for Metallica as we can continue with full momentum on the NORNICO feasibility while Lucky Break is being developed and managed by MFC. In effect the project is being developed and brought in to nickel production at no extra cost to Metallica and hence does not dilute shareholder equity and will yield cashflow with minimal risk to Metallica”.

Key aspects of the MLM-MFC Lucky Break joint venture terms are:-

- MFC has completed a Feasibility Study on the Lucky Break nickel leaching project to a confidence level on operating and capital cost of +/- 20%.
- The operation was designed to process approximately 250,000 t of nickel laterite per annum over a 4 to 5 year period using a combination of vat and heap leaching techniques.
- MFC has decided to proceed to a development and operational phase the joint venture, and therefore the interests will be 40% MFC and 60% Metallica.
- All development costs shall borne solely by MFC (Metallica is free carried during the development phase). MFC will retain ownership of the plant until the capital is repaid.
- Metallica remains the 100% holder of the Lucky Break project tenements
- Once in operation, the net operating surplus will be distributed 85% MFC and 15% Metallica up until MFC has been reimbursed its Lucky Break JV capital outlays, after which time the net operating surplus distribution will be 60% Metallica and 40% MFC.
- Metallica holds an option to purchase MFC's interest in the joint venture after the expiration of 12 months from the date of commissioning of the facility for all capital costs less repayments received to date by MFC plus 40% of capital expended in project, + 5% of capex for every US\$1 value over a nickel selling price of US\$7/lb. If this option is exercised, Metallica would hold 100% of the Lucky Break operation and cashflow.

Metals Finance Corp. specialises in providing a unique combination of financing and technical skill for the development of small to medium scale metal recovery projects. MFC has access to development funding, application of key leading edge, metal recovery technologies and a skilled network of technical experts. MFC are actively seeking associations where a high potential for viability exists, but where financial and/or technical input is required to proceed to profitable development. MFC is not a mining or exploration company, rather it provides financial and production expertise and services to mining and metal processing companies.

MFC has an international team with bases in Australia, Canada and Chile which have substantial practical experience on the production of a wide variety of metals using leading edge metal recovery processes and methods. MFC is represented locally by Brisbane based CEO Mr Tony Treasure who has over 20 years experience in metal processing, recovery and plant design.

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Competent Persons Statement

The mineral resources information in this report is based on, and accurately reflects, information compiled by Mr Andrew Gillies B.Sc Geology (Managing Director of Metallica Minerals Ltd) and Mr Pat Smith MSc. BSc. (Hons) (Exploration Manager of Metallica Minerals Ltd) who are Members of the Australasian Institute of Mining and Metallurgy. Both have 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'. Mr Gillies and Mr Smith consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

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