



ASX AND MEDIA RELEASE

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NEW QUEENSLAND NICKEL PROJECT ON TARGET FOR 2008 PRODUCTION START-UP

Highlights

- Latest progress at Metallica's Lucky Break nickel deposits, 130km west of Townsville, has the project on target to become Queensland's first nickel mine in 16 years.
- New work includes the commencement of the project's engineering procurement and construction management (EPCM).
- Negotiations are progressing with BHP Billiton (Yabulu Nickel refinery near Townsville), and other companies for a nickel product offtake agreement.
- The timetable for first nickel production remains third quarter 2008.

Lucky Break Nickel Project Update

Development of the Lucky Break nickel project will be funded and managed by Metallica's 40% joint venture partner, Metals Finance Corporation (MFC).

MFC has advised that construction is expected to start in first quarter 2008 with Nickel carbonate intermediate product production commencing in third quarter 2008.

The Lucky Break Project Engineering Procurement and Construction Management (EPCM) has commenced and is being 100% funded, developed and managed by MFC.

A compensation agreement has been executed with the Lucky Break Station landowners in relation to the Lucky Break mining and processing mining lease (ML 10332). We expect the Mining Registrar will approve granting of this in September / October 2007.

MFC has received a letter of intent from Sun Metals in Townsville, for the supply of the project's sulphuric acid requirements. MFC has advised that the project's long-lead items (such as Ion Exchange (IX) resins, IX Carousal) are planned to be ordered in September / October 2007. Negotiations with BHP Billiton (Yabulu Nickel refinery near Townsville), and other companies for a nickel product offtake agreement are also progressing.

Lucky Break will be processing approximately 250,000 tonnes of nickel laterite ore per annum through a novel processing method, suitable for a project of this size, including vat leaching, Iron reduction, IX Resins and nickel precipitation of clean saleable nickel product (~40% Ni content). Forecast nickel extractions of 85% with rapid leach times of around 3 months are expected based on large column leach testwork. Six vat/ponds are planned to hold around 30,000t of ore each with at least two load-leach-unload cycles per annum.

Full year production is forecast to be approximately 1,600 tonnes nickel per annum contained as Ni-Carbonate (~40% Ni content). Once in operation, the initial net operating surplus will be distributed 85% MFC and 15% Metallica up until MFC has been reimbursed its Lucky Break JV capital outlays (~\$20 million) after which time the net operating surplus will be distributed 60% Metallica and 40% MFC.

Metallica's Managing Director, Mr Andrew Gillies, said today:-

"The Lucky Break nickel development is a significant step forward for Metallica as we can continue with full momentum on the NORNICO feasibility study, while Lucky Break is being developed, funded and managed by MFC.

"In effect the project is being developed and brought into nickel production at no extra cost to Metallica and hence does not dilute shareholder equity, will yield cashflow and provide enormous operational experience and benefits for our much larger 100% owned flagship NORNICO project – also in Queensland."

For Further Information see June and March Quarterly Reports dated 27 July and 30 April 2007 respectively.

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