



# METALLICA MINERALS LIMITED

Subsidiary Companies

ABN: 45 076 696 092

NORNICO Pty Ltd ACN 065 384 045 | Oresome Australia Pty Ltd ACN 071 762 484 | Greenvale Operations Pty Ltd ACN 139 136 708  
Lucky Break Operations Pty Ltd ACN 126 272 580 | Scandium Pty Ltd ACN 138 608 894 | Phoenix Lime Pty Ltd ACN 096 355 761

## ASX Release

26 August 2011

# EXCLUSIVE RIGHT TO EXPLORE & OPTION TO ACQUIRE RIO TINTO'S GIPPSLAND ZIRCON-RUTILE HMS PROJECT

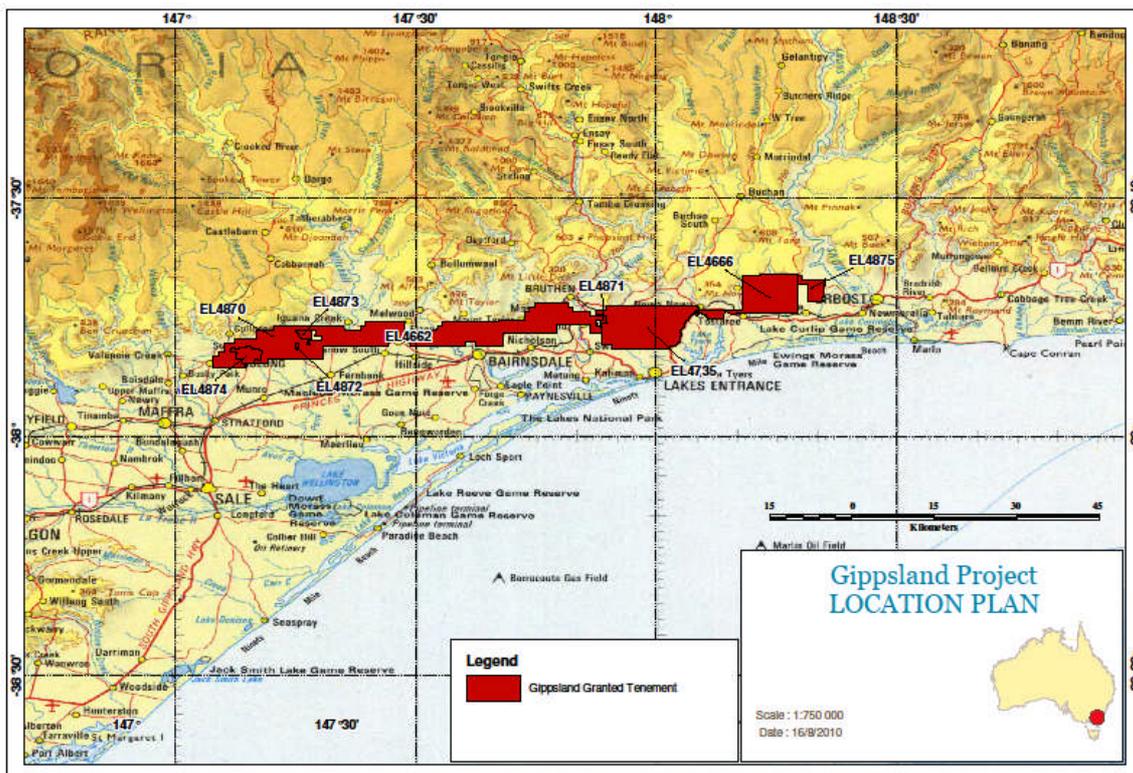
Metallica Minerals Limited's (**ASX: MLM**) wholly-owned subsidiary, Oresome Australia Pty Ltd (**Oresome**), advises that it has entered into a Right to Explore and Option to Purchase Agreement (the Agreement) with Rio Tinto Exploration Pty Ltd (Rio Tinto) pursuant to which Oresome will have the exclusive right to explore certain exploration licences which comprise the Gippsland Heavy Mineral Sands (HMS) Project in Victoria's south east and option to purchase a 100% interest in the exploration licences at any time during the term of the Agreement.

### Key terms of the Agreement include:

- A exclusivity payment to Rio Tinto of A\$40,000
- Oresome has the exclusive right to explore the exploration licences comprising the Gippsland HMS Project for 12 months (the Option Period).
- Oresome is committed to A\$250,000 minimum expenditure during the Option Period.
- Oresome has the option to purchase a 100% interest in the exploration licences at anytime during the Option Period for a purchase price of A\$8.0M.
- Rio Tinto retains a net smelter royalty of 2.5%.

The Gippsland HMS Project lies in south-east Victoria and consists of nine granted exploration licences covering a total area of approximately 620 km<sup>2</sup>, all held 100% by RioTinto.

The tenements cover fossil strandlines of the Miocene-Pliocene shallow marine sand units of the Boisdale Formation which on lap the Palaeozoic basement at the southern margin of the eastern Australian Highlands.





HMS exploration to date has included surface sampling, significant drilling (12,697.5m of reverse circulation (RC) air core drilling for 232 holes) undertaken in 2004, 2005 and 2008 and 8 drill bulk samples at various locations in the project area. These samples were subjected to gravity separation and metallurgical test work at the Downer-EDI facility at Carrara on the Gold Coast, Queensland. An understanding of the characteristics of the zircon, rutile and ilmenite components of the Gippsland HMS deposits was developed from this work.

Two well defined areas of significant HMS concentration have been identified; these being the **Stockdale-Glenaladale area**, about 35km west of the town of Bairnsdale, and the **Mossiface area**, which lies 20km ENE of Bairnsdale.

Significant HMS deposits containing zircon and rutile (at a moderate strip ratio) have been identified by drilling in the two areas. Based on previous RC drilling (180 exploration drill holes), the expected average grade of these deposits is between 2.8 – 3.7% total heavy mineral (THM), of which a significant portion is zircon and rutile.

Oresome's Exploration Target\* for the two defined areas are:

- Stockdale – Glenaladale area: 500 to 800Mt of mineralised sand with an average of 3-4% HMS, with the HMS containing approximately 14-18% Zircon, 5-7% Rutile and 35-55% Titanium Minerals
- Mossiface area (~55 km east): 25 to 35Mt of mineralised sand with an average of 2.5-3.0% HMS, with the HMS containing approximately 25-30% Zircon, 8-10% Rutile and 36-44% Titanium Minerals

Additional areas of untested potential exist on the recently granted exploration licences. No major environmental or community issues are currently evident.

**For further information, please contact:**

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**Oresome Australia Pty Ltd (100% Metallica Minerals Ltd)**

In line with its growth strategy, Oresome now has the opportunity to enlarge its portfolio of activity with HMS and become a significant player in the zircon-rutile HMS market sector. Oresome's General Manager, Stewart Hagan, said, "We are very pleased to now have formal and binding agreements in place to fully assess this opportunity. Review of the work carried out to date by Rio Tinto Exploration is very encouraging, and we believe this project can deliver substantial additional benefits to Metallica shareholders."

Oresome's Weipa & Cape York HMS Projects, which incorporates the Urquhart Point zircon-rutile deposit, together with the Gippsland HMS Project has the potential to set Oresome up as a long term supplier of zircon and rutile.

Metallica's Managing Director, Andrew Gillies, said, "Oresome Australia has been actively progressing its Urquhart Point zircon-rutile HMS Project towards feasibility and ultimate development for some time and has also been looking to considerably expand its' zircon-rutile portfolio. The Gippsland HMS project certainly fits this desire, and we will aggressively initiate infill exploration of the Rio drilling to establish a maiden HMS resource to JORC standards."

Execution of this acquisition remains subject to the completion of certain preliminary steps, in particular with respect to completion of due diligence and to the approval by the relevant regulatory authorities. Its completion could become effective by midyear 2012.

**\*Exploration Target**

The potential quantity and grade is conceptual in nature, that there has been insufficient exploration drilling and sampling density to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

**Competent Person**

Technical information contained in this report has been compiled and/or supervised by Mr Andrew Gillies B.Sc (Geology) M.AusIMM (Managing Director of Metallica Minerals Limited) who is a competent person and member of the Australian Institute of Mining and Metallurgy (AusIMM). Mr Gillies has relevant experience to the mineralisation, exploration results and targets being reported on to qualify as a Competent Person as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Gillies consents to the inclusion of this information in the form and context in which it appears in this report.