



ASX Release

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STRATEGIC ALLIANCE FOR SCANDIUM SUPPLY ENTERED INTO WITH KBM AFFILIPS – EUROPE'S LEADING SUPPLIER OF MASTER ALLOYS

HIGHLIGHTS:

- Memorandum of Understanding (MOU) for a Strategic Alliance entered into with KBM Affilips for scandium supply and Aluminium-Scandium alloy market development
- KBM Affilips is a leading producer of master alloys, including Aluminium-Scandium alloys
- Master alloy manufacturer KBM Affilips is the first link in key supply chains that provide highly-specialised metal products to a number of customers, including major Aerospace end users
- KBM Affilips believes there is enormous potential for the commercial application of Aluminium-Scandium alloys, particularly in the Aerospace sector, subject to long-term, reliable supply of scandium
- Metallica has already, and will continue to leverage off KBM Affilips' relationships with key Aerospace supply chain companies, including the ultimate end users, to educate them on the SCONI project's potential to deliver long-term, reliable supply of scandium oxide (40 tonnes – 100+ tonnes per annum)
- KBM Affilips will assist Metallica to source project development funding
- KBM Affilips and Metallica will enter into discussions regarding a binding offtake agreement for purchase of scandium oxide from the SCONI project to underwrite secure supply for its master alloy production
- Scandium oxide produced from Metallica's metallurgical testwork meets the quality specifications required by KBM Affilips

Australian resource development company, Metallica Minerals Limited (**ASX: MLM**), is pleased to announce that it has entered into a non-binding MOU for a Strategic Alliance with KBM Affilips, Europe's leading producer of master alloys.

The companies have agreed that it would be mutually beneficial to form a Strategic Alliance. KBM Affilips manufactures Aluminium-Scandium master alloys, and from its existing relationships, understands that there would be significant demand for Aluminium-Scandium alloys in the Aerospace industry, as well as other transport sectors, when sufficient supply can be made available for commercialisation. KBM Affilips recognises Metallica as a leading scandium development company with the potential to supply it with enough scandium oxide to meet the potential demand for its Aluminium-Scandium master alloys (typically 2% contained scandium).

Metallica Managing Director Andrew Gillies said,

"Metallica is pleased to have the opportunity to work with KBM Affilips, a leading and widely recognised supplier to the Aerospace industry and other high performance alloy sectors. We see the aluminium alloy sector as a key potential buyer of scandium oxide from our SCONI scandium-cobalt-nickel project. The alliance with KBM Affilips will assist us in developing relationships with key players in the aluminium alloy sector, particularly the Aerospace industry, which will be a major step forward in securing offtake arrangements for our planned scandium oxide production."



KBM Affilips Managing Director Gunter Gielen said,

“The properties of Aluminium-Scandium alloys are well understood in the high performance alloy sector, most particularly the Aerospace industry. Aluminium alloys containing scandium deliver greater performance than any other alloy over a myriad of characteristics including strength to weight ratios, weldability, durability and corrosion resistance, resulting in stronger and lighter high performance alloys. Despite this superior performance, the application of Aluminium-Scandium alloys has been limited due to the severely constrained supply of scandium. We recognise that through its SCONI project, Metallica has the potential to provide a long term and reliable supply of scandium that would facilitate commercial application of Aluminium-Scandium. Downstream support of key Aerospace and component manufacturing companies will assist Metallica in developing the SCONI project, and will ultimately allow KBM Affilips to become a scandium offtake partner.

Metallica is a world leader in scandium project development and has the potential to become a major world supplier of scandium oxide”

Key Terms of the Strategic Alliance

The key terms of the MOU are detailed below:

- The initiation of the parties is that the collaboration will assist Metallica to develop its SCONI scandium project and provide KBM Affilips with a secure a strategic, long-term and reliable major supply of scandium oxide – a “win-win” opportunity
- 18 month period;
- KBM Affilips will assist Metallica in its ongoing feasibility studies by providing indicative forecasts of its scandium oxide requirements and required scandium oxide product specifications (eg purity);
- KBM Affilips will assist Metallica in developing relationships with key Aerospace and component manufacturing companies, which allow Metallica to educate these companies on the SCONI project and the potential scandium supply it could deliver;
- KBM Affilips will assist Metallica in procuring funding for the development of the SCONI project;
- Metallica and KBM Affilips will, in good faith, enter into commercial negotiations with respect to an offtake agreement governing the sale of scandium from the SCONI project;
- Metallica is currently undertaking feasibility studies in to the world’s first commercial large scale production of scandium oxide from the development of its SCONI scandium-cobalt-nickel resources at a processing rate of 750,000 tonnes of resource feed per annum, producing at least 40,000kg of scandium oxide, with the potential to increase to in excess of 100,000kg, per annum; and
- The Strategic Alliance does not preclude Metallica from entering into commercial arrangements with other potential scandium offtake partners.

About KBM Affilips

KBM Affilips is the marketing and sales organisation for a wide range of specialised master alloys manufactured by its production companies KBM Master Alloys in The Netherlands and Affilips in Belgium, both founded in the early sixties of the last century.

KBM was originally named as Kawecki-Billiton formerly owned by Shell/Billiton. KBM Affilips is the world’s largest manufacturer of non-ferrous master alloys delivering well over 40,000 tonnes of products to 80 different countries.

KBM Affilips has built an excellent reputation in the field of Aluminium-, Copper-, Nickel-, Cobalt- and Zinc-based master alloys. These master alloys are used in the manufacture of a wide range of metal products, including aluminium aircraft sheet, special steels and super alloys for aircraft engines, products for aerospace applications, nuclear reactors and other demanding or high performance applications.

KBM Affilips has established a reputation as an innovator and cost leader in the production of highly specialised Aluminium based master alloys such as the full range of Aluminium-Titanium-Boron grain refiners, Aluminium-Boron, Aluminium-Strontium and **Aluminium-Scandium** master alloys.

METALLICA MINERALS LIMITED



In 1989 KBM Affilips became the first master alloy being certified with ISO9001 and it is the oldest European producer of Aluminium Titanium Boron grain refiner rod products.

With more than 50 years of experience KBM Affilips presents itself as a financially solid as well as global partner for a wide range of industries.

Today KBM Affilips and its affiliates are part of the ROBA Group of companies, which has been active in the metal industry for over 75 years and is based in The Netherlands.

For more information on KBM Affilips, please refer to its website www.kbmaffilips.com



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Figure 1: From Left to Right – Gunter Gielen (KBM Affilips Managing Director), Andrew Gillies (Metallica Managing Director), Henk van der Laan (KBM Affilips Business Development), Gavin Becker (Metallica CEO) outside KBM Affilips headquarters in Holland.