



# METALLICA MINERALS LIMITED

## Subsidiary Companies

NORNICO Pty Ltd ACN 065 384 045 | Oresome Australia Pty Ltd ACN 071 762 484 | Cape Alumina Pty Ltd ACN 107 817 694

Metrocoal Limited ABN 45 117 763 443 | SE QLD Energy Pty Ltd ACN 112 045 708 | SE QLD Coal Pty Ltd ACN 114 039 155 | Phoenix Lime Pty Ltd ACN 096 355 761

ASX Code: MLM

## ASX AND MEDIA RELEASE

29 JUNE 2007

### METALLICA ANNOUNCES \$10 MILLION SALE DEAL OVER IT'S QUEENSLAND COAL SUBSIDIARIES

Metallica Minerals Limited (ASX: MLM) today announced that it had entered into an option agreement to sell its south-east Queensland coal assets held by two wholly owned subsidiary companies, to Cockatoo Coal Limited for a total value of approximately \$10 million in cash and shares, plus a coal royalty.

If the option is exercised Metallica will receive \$5 million in cash plus 25 million shares in the ASX-listed Cockatoo Coal (ASX: COK). In the event of mining commencing on any of the coal resources, Metallica will receive further shares in Cockatoo Coal, and if mining commences on the Taabinga Coal resource near Kingaroy, Metallica will also receive a 40 cents per tonne royalty on production.

Cockatoo Coal has paid Metallica a \$250,000 non-refundable option fee that will be deducted from the cash payable. The option is exercisable within a two week due diligence period.

Metallica Managing Director, Mr Andrew Gillies, said that, "assuming the option is exercised, the cash proceeds from the sale would, with Metallica's current \$5.1 million available cash on hand, lift the company's cash position to around \$10 million. In addition, Metallica will hold a significant shareholding investment in a local coal focused company."

"The decision to divest the coal assets places Metallica in a stronger position to further focus its funding and management resources on development of the company's NORNICO and Lucky Break nickel projects in North Queensland," Mr Gillies said.

"With a stronger cash position, Metallica will be unlikely to seek further funding from the market in the short term. The divestment of non-core assets is our preferred course of action as opposed to issuing further share capital and shareholder dilution during our value adding growth phase" he said.

"The share component of the transaction will give Metallica an approximate 8.5% stake in Cockatoo Coal's issued capital. Cockatoo already has a significant project position in the Surat Coal Basin and is a well funded and managed coal-focused company."

Metallica's coal assets subject to the Cockatoo Coal option agreement are located in the Surat and Moreton Coal Basins, together with EPC 882 (an area of approximately 150 square kilometres) located in the Tarong Basin, which contains the Taabinga Measured and Indicated resource of 163 million tonnes of thermal coal (*see ASX Release – March Quarterly Report, 30 April 2007*). The coal assets include agreements with two joint venture partners, Cougar Energy Limited (ASX-CXY) for Underground Coal Gasification (UCG), and with unlisted Eastern Mining Corporation Pty. Ltd who are evaluating the Coal to Liquids (CTL) potential in the Felton area of the Condamine Coal Project.

#### The principal terms of the option agreement with Cockatoo Coal Limited are:

- A\$ 250,000 non-refundable option fee has been paid by Cockatoo
- A\$4.75 Million in cash payable on exercise of the option.

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- 25 Million Cockatoo Coal shares to be issued to Metallica upon exercise of the option. These will be escrowed for 12 months valued at \$5 million at today's share price
- Cockatoo Coal purchases Metallica's 100% owned subsidiary companies SE Qld Coal Pty Ltd and SE Qld Energy Pty Ltd holding the coal assets and agreements with JV Partners.
- Additional Cockatoo Coal shares to be issued to Metallica upon commencement of production from any of the tenements vended in. These will also be escrowed for 12 months. The number of shares issued to be the lesser of 5 million shares or shares to the value of \$1 million (based on Cockatoo's average trading price over the preceding month).
- A royalty of 40 cents per tonne payable to Metallica on any future coal production from EPC 882 (Kingaroy) tenement which includes the Taabinga coal deposit.
- A 2 week option exercise period for Cockatoo to carry out due diligence.
- Normal warranties in relation to the subsidiaries to be sold by Metallica.

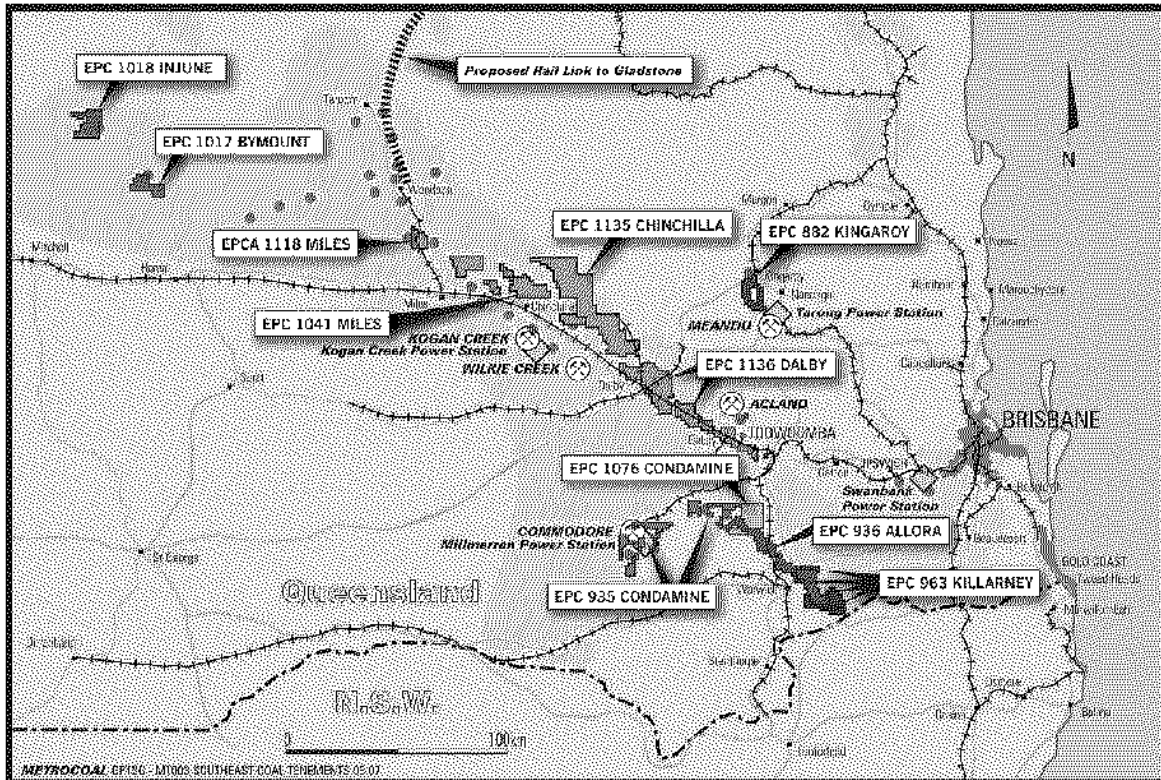
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***Metallica's Coal Tenements held by SE Qld Coal Pty Ltd and SE Qld Energy Pty Ltd within the Surat-Moreton and Tarong Coal Basins.***