



**ASX RELEASE**  
**1 August 2014**

## **A\$7.5m CHINA BACKING TO FULLY FUND NEW METALLICA MINE JV ON QLD'S CAPE YORK**

### **Highlights**

- **Private Chinese partner funding of A\$7.5 million into new 50:50 JV**
- **\$500,000 deposit due within 5 business days**
- **JV covers all Metallica's Heavy Mineral Sands (HMS) and Bauxite holdings on Queensland's Cape York**
- **Includes all funding to bring proposed \$6.5M Urquhart Point HMS mine into production-targeted from mid 2015**
- **Joint Venture ("JV") will also further explore Metallica's existing priority HMS and Bauxite targets on Western Cape York**

Metallica Minerals Ltd ("Metallica") is pleased to announce it has executed a Joint Venture ("JV") Agreement with a private Chinese investor (through a wholly-owned Australian subsidiary), to provide a total of A\$7.5 million to develop the Company's Urquhart Point Project, and explore for other Heavy Mineral Sands ("HMS") and Bauxite deposits on its tenements on the western side of Queensland's Cape York Peninsula.

The Agreement has been signed with Metallica's wholly-owned holder of the Cape York tenements, Oresome Australia Pty. Ltd ("Oresome").

Funds to be provided under the JV Agreement will fully finance the construction and commissioning by mid next year of Metallica's proposed Urquhart Point Mineral Sands Mine near Weipa - based on the A\$6.5 million CAPEX and working capital requirements for the proposed mine outlined in the Project Feasibility Study (*ASX Release dated 24 June 2014*).

The mine will be the first HMS-operation for Metallica to achieve maiden production. The Company has limestone quarrying and crushing and major nickel, cobalt and scandium interests elsewhere in Queensland.

A \$500,000 deposit payable under the terms of the JV Agreement is to be lodged in the trust account of Metallica's solicitors within 5 business days.

Funds to be provided under the Agreement will also finance up to \$500,000 for the exploration for additional HMS and bauxite deposits within Oresome's highly prospective regional exploration tenements covering approximately 2,500 square kilometres (*ASX Releases dated 22 January 2014 and 11 July 2014*). A map showing the tenements' location is attached.

A further \$4.5 million will be paid after the other Conditions Precedent to the Agreement are satisfied. The final tranche of \$2.5 million will be paid to the Joint Venture when the Cape York HMS and Bauxite Joint Venture Manager requests it.

The Conditions Precedent to the Agreement are:

1. FIRB approval;
2. Payment of the \$500,000 deposit within 5 business days. ;
3. A decision by 31 July 2014 by the Board of Directors of each of Oresome and the private Chinese investor's Australian subsidiary to proceed with the Urquhart Point Project (which has been made, and therefore the condition satisfied); and



4. Payment of the further A\$4.5 million (Once FIRB approval is received).

FIRB approval must be received by 31 August 2014, unless an extension is agreed by the parties. Failing the receipt of FIRB approval, the private Chinese investor (through its Australian subsidiary) may elect to have the \$500,000 deposit repaid in cash, or converted into ordinary shares in Metallica at the lesser of 5 cents a share, or, the 20 day VWAP of Metallica shares prior to the conversion election date.

Under the Agreement, Metallica (through Oresome) and the private Chinese investor will each ultimately hold a 50% interest in a newly established Cape York HMS and Bauxite Joint Venture owning the Urquhart Point Project Mining Lease and all the Cape York regional Exploration Permit for Minerals (“EPM’s”) and EPM Applications currently held there by Oresome. A Joint Venture Management Committee will manage the Projects, with Oresome as the Project Manager entity. The Agreement contains other provisions common to JV’s in Queensland, including sole risk exploration provisions and ‘area of interest’ provisions.

Metallica has continued to advance the proposed Urquhart Point Project (*refer to ASX Release dated 24 June 2014*) through 2014. With a funding Agreement executed, Metallica will proceed to activate all site, personnel, equipment and outstanding regulatory processes to develop the Urquhart Point HMS mine with first production targeted for mid to late 2015.

**Metallica’s Managing Director, Mr Andrew Gillies:**

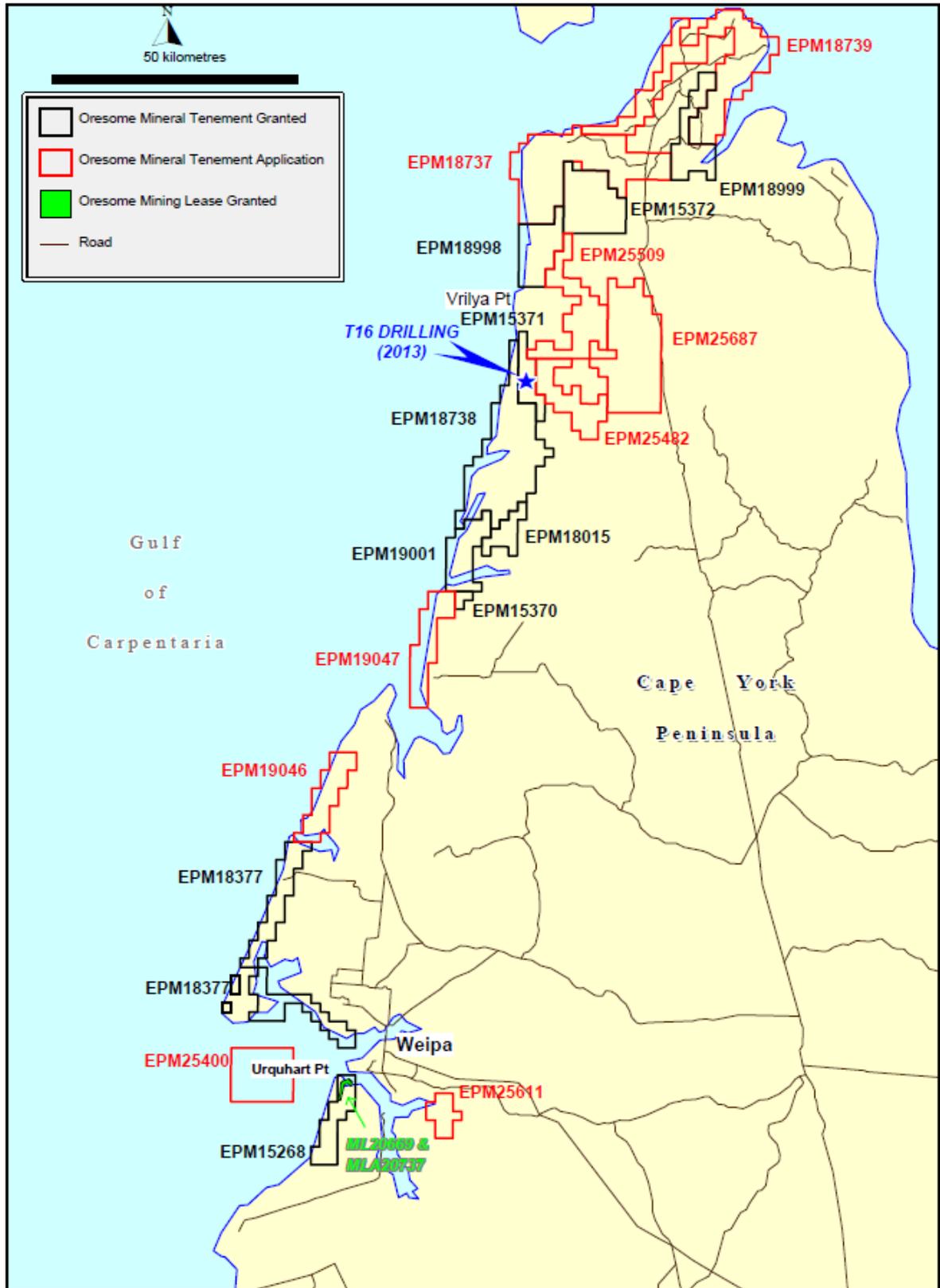
*“The execution of this milestone Joint Venture funding and partnering agreement, conditional now only on receipt of the Deposit, and FIRB approval which will then crystallise the major payment, is the breakthrough or catalyst for major new mine development and exploration across all of Metallica’s Cape York HMS and Bauxite projects. In anticipation of FIRB approval, the JV will immediately finalise detailed planning for the development of Urquhart Point, secure in the fact that \$7.5 million of non-diluting (to Metallica) project funding is available for our Cape York assets, we can get on and build a mine, get into production within a 12-18 month horizon, and deliver the region its aspirations for mining-led employment and economic gains. Significantly, the real long-term potential is in the bauxite and HMS offerings in the regional tenements north of Urquhart Point where we have a suite of high priority targets ready to drill. This JV funding means we have sidestepped dilution to shareholders and the ongoing difficult capital raising hurdles for junior resources companies.”*

**For more information please contact:-**

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Cape York Tenements included in the Cape York HMS and Bauxite Joint Venture