

**MOLLACAS COPPER PROJECT**  
**METMINCO COMMITS TO FEASIBILITY STUDY AND EIS**

**Metminco Limited (“Metminco”) (ASX: MNC; AIM: MNC)** announces the results of the recently completed metallurgical testwork and financial modelling for the Mollacas Project, the latter of which demonstrates the robust nature of the economics for the Mollacas Project.

The financial model incorporates the results of a pit optimisation study completed by Metminco in 2013, updated contract mining rates and revised processing costs. Capital costs are based on a prior Scoping Study completed in 2008, adjusted for the revised production profile.

Highlights from the aforementioned work include the following:

Production Schedule

- Tonnes Mined: 14.5 million tonnes at 0.52% CuT (0.42% CuSol)
- Production rate: 8,000tpa copper cathode

Metallurgy

- Acid consumption in agglomeration stage significantly reduced from 30kg/t to 10kg/t ore leached
- 85% soluble copper recovery

Financial

- Pre-Production Capex: US\$47.1 million
- C1 Cash Costs: US\$1.23/lb
- NPV (after tax @ 8%): US\$74.9 million (unlevered)
- IRR (after tax): 37.2% (unlevered)

Based on the positive economics for the project, the decision has been made to proceed with a Feasibility Study (“FS”) and Environmental Impact Study (“EIS”), which are expected to be completed by late 2014.

Mr William Howe, Managing Director, commented: *“The positive outcome of the metallurgical testwork and revised financial modelling are significant developments for the Company. Metminco will now look to fast track the Feasibility Study together with its Environmental Impact Study as part of the process of obtaining the required mining permits to develop the project.*

*The Company is now committed to progressing Mollacas towards production and generating a future cash flow stream.”*

## MOLLACAS PROJECT

### Introduction

The Mollacas Project ("the Project") is located in the IV Region, Chile, at an altitude of 1,200 to 1,500 metres above sea level. It is situated approximately 65 km east of the city of Ovalle near the small settlements of Valdivia and Las Mollacas, and can be accessed from Ovalle via 53 km of asphalt road to the town of Rapel, and then by 12 km of a well-maintained dirt road east of Rapel.

The Company holds title to 20 Exploitation Licences covering the Mollacas deposit and surrounding area, as well as 179 ha of surface rights adjacent to the proposed open pit operation. The infrastructure for the mine will be located on Company owned land including the leach pads, processing plant, administration facilities and mine workshops. Metminco also owns water rights to approximately 175 litres/sec from two canals which traverse the properties. The estimated water usage for the operation will be 40 litres/sec.

Metminco has recently updated the original Scoping Study of 2008 to incorporate the results of the pit optimisation study completed by the Company in 2013, as well as the updated mining and processing costs, which provide for contract mining and the results of the recent metallurgical testwork. Capital cost estimates were adjusted for the revised production profile, and the use of mining contractors.

### Pit Optimisation Study

The pit optimisation study completed in 2013 by the Company was based on the most recent Mineral Resource Estimate completed by SRK Consulting, Chile (Table 1), as well as the input parameters summarised in Table 2.

**Table 1: Mineral Resource Statement for the Oxide and Secondary Mineralisation for Las Mollacas Copper Project, Ovalle, Chile, SRK Consulting (Chile) S.A., July 06, 2012.**

Category	Tonnes (million)	CuT %	CuSol (%)
Measured	11.2	0.55	0.44
Indicated	4.3	0.41	0.29
<b>Total Measured and Indicated</b>	15.5	0.51	0.40

*Note: Reported at a 0.2% Cu cut-off.*

**Table 2: Modelling Parameters - Pit Optimisation Study (2013) and Revised Financial Model (2014).**

Description	Factor	
	Pit Optimisation (2013)	Financial Model (2014)*
Mining Cost (material mined)	US\$2.04/t	US\$1.90/t
Processing Cost (ore processed)	US\$7.70/t	US\$5.20/t
G&A Cost (ore processed)	US\$0.50/t	US\$0.50/t
Selling Cost (cathode)	US\$52.90/t	US\$105.29/t
Copper Price	US\$2.71/lb	US\$3.10/lb

*\* Includes updated mining and processing costs based on work completed in Q1 2014.*

The pit optimisation resulted in a provisional production profile comprising 14.5 million tonnes at 0.52% CuT (0.42% CuSol) over the life of the pit, with an in-situ soluble copper content of 60,753 tonnes.

As the pit optimisation study did not provide for the latest copper recovery rates, as well as the updated mining and processing costs, further optimisation work will be conducted as part of the planned FS. This

work will result in the definition of a Mineral Reserve Estimate in accordance with the JORC Code (2012 Edition).

### Metallurgy

The primary leach design parameters resulting from the recent metallurgical testwork have been incorporated into an updated Life of Mine production schedule. When compared to the original Scoping Study, it is clear that the reduction in acid consumption rates per tonne of ore leached derived from the testwork has more than offset the higher prevailing acid price and increase in power costs in Chile. The primary leach design parameters resulting from the recently completed metallurgical testwork are:

- Ore crush size: P80 12 mm to 16 mm
- Agglomeration acid addition: 10 kg/t (may be reduced after further testing)
- Stacked ore depth: 6 metres
- Stacked dry-bulk density (maximum): 1.7 t/m<sup>3</sup>
- A two-stage leach:
  - i) 90-day Primary Leach Stage @ 5 L/hm<sup>2</sup> at 6 g/L H<sub>2</sub>SO<sub>4</sub>
  - ii) 210-day Secondary Leach Stage @ 2.5 L/hm<sup>2</sup> at 3 g/L H<sub>2</sub>SO<sub>4</sub>
- Solution Management Scheme: The staged leach and acid concentration values can be met with a series/parallel SX configuration, where the Primary Leach PLS feeds the two in series SX extraction stages, and the Secondary Leach PLS feeds the parallel extraction stage

Additional column leach testwork has been initiated to determine the lowermost limit of acid addition in the agglomeration stage with the objective of ascertaining whether acid consumption can be reduced further.

### Life of Mine Financial Model

At a mining rate of 6,108 tonnes per day, the Project has a Life of Mine of some 7 years producing up to 8,000 tonnes of cathode copper per annum. Table 2 lists the operating costs used in the revised financial model.

Capital costs for the Life of Mine, including sustaining capital and an allowance for the purchase of further surface title, is estimated to be US\$52.3 million.

The results of the Life of Mine Financial Model are summarised in Table 3 below, and support the robust nature of the economics for the Project, and hence the decision to progress with the development of the Project.

**Table 3: Summary of results from Life of Mine Financial Model.**

Physicals	Units	Parameter
Mining Rate	(tpd) <sup>1</sup>	6,108
Crushing Rate (max throughput)	(000 tpa)	2,500
Tonnes leached	(000's t)	14,500
Average CuSol Grade	(%)	0.42%
Payable Cu	(tonnes)	51,765
Life of Mine	(years)	7.00
Time to Production	(years)	2.50
<b>Financials</b>		
Feasibility Study and Permitting	(US\$ 000)	6,600
Development Capital (includes pre-stripping)	(US\$ 000)	40,456
Sustaining Capital	(US\$ 000)	5,250
Total Capital Expenditure	(US\$ 000)	52,306
C1 Cash Operating Costs	(US\$/lb Cu)	1.23
Operating Cost	US\$/tonne crushed	9.68
Government Royalties		n/a
<b>Project Economics (ungeared)</b>		
Project NPV (After-Tax*1) at 8.0%	(US\$ 000)	74,921
IRR (After-Tax)	%	37.2%
Payback	years	2.44
<b>Project Economics (geared)</b>		
Interest Rate (US Libor + 4.5%pa)	%	6.3%
Gearing Ratio (Debt /Equity)	ratio	70%:30%
NPV (After-Tax <sup>2</sup> ) at 8.0%	(US\$ 000)	74,416
IRR (After-Tax)	%	41%
<b>Copper Price</b>		
Average Copper Price	(US\$/lb)	3.10

1 Tonnes delivered to leach pad.

2 Effective tax rate of 20% assumes profits are not repatriated.

## Way Forward

The Company is expecting to receive notification regarding its 1<sup>st</sup> Extension Servidumbre (Right of Access) application within the next few weeks.

Furthermore, it is completing all necessary environmental monitoring requirements with a view to submitting an EIS to the relevant government authorities. It is expected that this EIS will be completed in conjunction with a FS by late 2014. All operating and capital cost estimates for the proposed 8,000tpa operation will be confirmed in the FS.



**William Howe**

**Managing Director**

## Company Background

Metminco is a dual ASX and AIM listed company with a portfolio of copper, molybdenum and gold projects in Peru and Chile.

## Projects and Mineral Resources

The Los Calatos Project, located in southern Peru, has an open pittable Mineral Resource of 493 million tonnes at 0.38% Cu and 0.023% Mo (at cut-off grade of 0.15% CuEq) to a vertical depth of 700 metres below surface and an underground bulk mining Mineral Resource of 926 million tonnes at 0.51% Cu and 0.022% Mo (at a cut-off grade of 0.35% CuEq) commencing at an elevation of 2,300 metres (approximately 700 metres below surface).

The Chilean assets include the Mollacas Copper Project with a Mineral Resource of 15.5 million tonnes consisting of a Measured Resource of 11.2 million tonnes at 0.55% Cu and 0.12g/t Au and an Indicated Resource of 4.3 million tonnes at 0.41% Cu and 0.14g/t Au (at a 0.2% copper cut-off); and the Vallecillo Project with a Mineral Resource of 8.9 million tonnes consisting of a Measured Resource of 5.5 million tonnes at 0.84g/t Au, 9.99g/t Ag, 1.12% Zn and 0.32% Pb, an Indicated Resource of 2.6 million tonnes at 0.80g/t Au, 10.23g/t Ag, 0.94% Zn and 0.35% Pb and an Inferred Resource of 0.8 million tonnes at 0.50g/t Au, 8.62g/t Ag, 0.48% Zn and 0.17% Pb (at a cut-off grade of 0.2g/t Au).

The Company also has a number of early stage exploration projects where initial exploration activities have identified anomalous copper, molybdenum and gold values.

## Competent Persons Statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Colin Sinclair, BSc, MSc, who is a Member of the Australasian Institute of Mining and Metallurgy and is employed by the Company in Chile.

Colin Sinclair has sufficient experience (over 30 years) which is relevant to the style of mineralisation, type of deposit under consideration, and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results'. Mr Sinclair, as Competent Person for this announcement, has consented to the inclusion of the information in the form and context in which it appears herein.

## Forward Looking Statement

All statements other than statements of historical fact included in this announcement including, without limitation, statements regarding future plans and objectives of Metminco are forward-looking statements. When used in this announcement, forward-looking statements can be identified by words such as "anticipate", "believe", "could", "estimate", "expect", "future", "intend", "may", "opportunity", "plan", "potential", "project", "seek", "will" and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this announcement, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management of Metminco that could cause Metminco's actual results to differ materially from the results expressed or anticipated in these statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Metminco does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this announcement, except where required by applicable law and stock exchange listing requirements.

*For further information contact:*

**METMINCO LIMITED**

William Howe – Managing Director

Stephen Tainton – Executive Director

Phil Killen – Company Secretary & CFO

Office: +61 (0) 2 9460 1856

Mobile: +61 (0) 2 9460 1856

Mobile: +61 (0) 477 299 411

Mobile: +61 (0) 408 609 916

**BROKERS**

**Canaccord Genuity (UK)**

Neil Elliot/Emma Gabriel

Office: +44 (0) 20 7523 8000

**Liberum Capital Limited (UK)**

Tim Graham

Office: +44 (0) 20 3100 2222

**FINANCIAL PUBLIC RELATIONS**

**Buchanan (UK)**

Gordon Poole/Tim Thompson

Office: +44 (0) 207 466 5000

---