



Company Update

ASX ANNOUNCEMENT

10 September 2014

Highlights

- **Wide zone of visible copper mineralisation intersected in exploration tunnel at San Sebastian**
- **Trucking of mineralised material from Panga continues**

Perth-based copper developer **Metallum Ltd (ASX: MNE)** is pleased to provide the following update on work currently being carried out at the San Sebastian and Panga mines, part of the El Roble Copper Project in Chile.

Metallum is focused on achieving growth and shareholder value through the development of near-term, small-scale mining operations at El Roble to enable self-funded growth.

Metallum Managing Director Zeff Reeves said: "At San Sebastian, we've accessed the existing lower footwall drive in order to install an exploration tunnel across to the interpreted position of the copper bearing vein. We've intersected the vein with over 2.20m (tunnel width) of visual copper mineralisation present in the current tunnel face. We've also commenced the permitting process for San Sebastian, where we are aiming to commence mining by the end of the year if we get repeats of what was mined in the 1090 level historically.

"Mining and trucking of material from Panga is also ongoing and we hope to deliver more than 1,000 tonnes to the ENAMI plant in Copiapo by the end of September, which will provide a base to increase delivery rates in the coming months, particularly as we bring Paraguay and San Sebastian online.

"The main San Sebastian vein has only been mined to about 50m depth on the side of a hill and remains open down dip and along strike, so it provides good potential for us to commence mining there soon, especially considering some of the exceptional grades of over 14% copper, we have seen from our due diligence sampling." Mr Reeves added.

San Sebastian Exploration

Metallum entered into an option to acquire the key San Sebastian concession (ASX announcement 27 August 2014) which covers a major mineralised structure within the El Roble vein system (Figure 1). The option agreement gives Metallum exclusive access to conduct exploration and assessment work prior to exercising the option. As part of the assessment program, the Company has commenced an exploration tunnel from the existing the 1040 level footwall drive to intersect the interpreted position of the high grade copper vein mapped and sampled in the upper 1090 level (Figure 2). Previous sampling from the vein in the 1090 level returned copper grades of up to 5.79% over 2.20m and individual samples from remnant pillars up to 14.25% Cu (ASX announcement 27 August 2014).

The exploration tunnel has entered the copper bearing vein with visual copper mineralisation being observed across the entire tunnel width. The tunnel is planned to be continued to the north along the vein underneath the historic mine area where an average vein width of over 3.00m has been mined. Once this tunnel has been

installed it is envisaged that it will provide immediate access to vertical stoping areas to be mined up to the 1090 level, as soon as a mining permit is granted.

In addition to this work the Company has also begun the permitting process to obtain a mine operating permit over the San Sebastian concession to extract up to 5,000 tonnes per month of copper bearing material. It should be noted that the permit to extract up to 5,000 tonnes per month is not a production target.

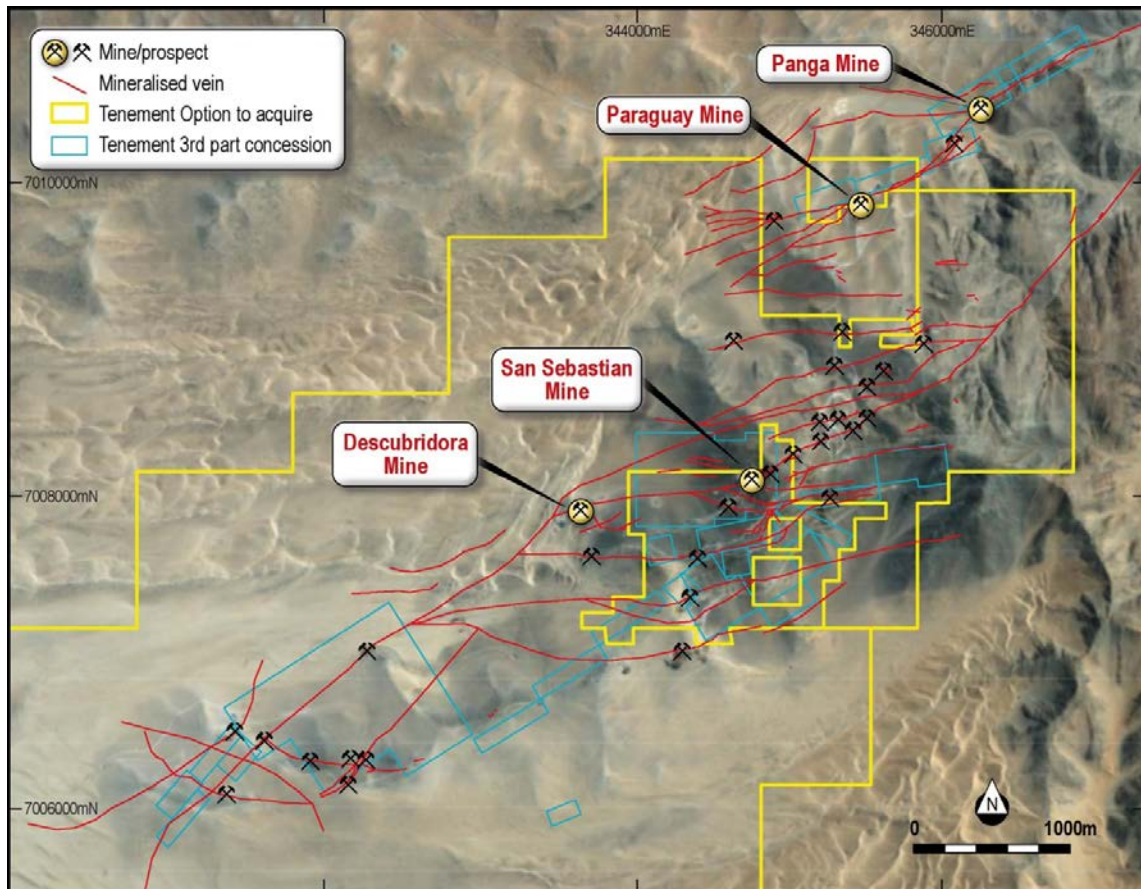


Figure 1 – Map of the north east sector of the El Roble project showing the location of the San Sebastian mine within a strike continuous mineralised corridor where Metallum has mapped over 60km of prospective veins

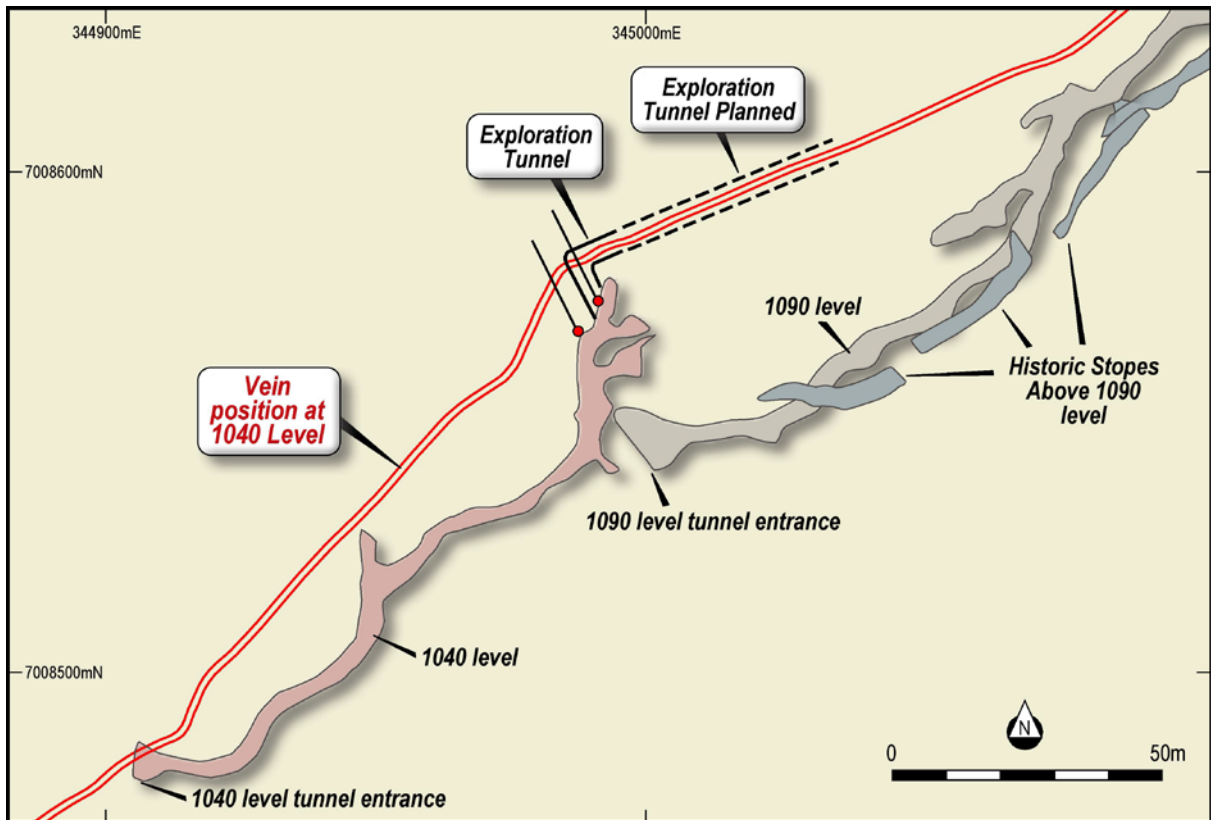


Figure 2 – Plan view of the San Sebastian mine showing existing footwall drive (1040 level) and newly installed exploration tunnel in relation to the historic mine workings approximately 50m above. Historic workings have been mapped for over 300m along strike. Dashed line shows planned position of the exploration tunnel along the vein on the 1040 level.



Figure 3 – San Sebastian mine and vein looking north. Note favorable topography for access, vertical distance between the 1040 level and 1090 level entrances is approximately 50m.



Figure 4– Copper mineralisation from the San Sebastian vein

Panga Work Update

The Company has continued mining at the Panga mine, having completed extraction of mineralised material from the 956S L-1 stope and currently extracting material from the 956S L-2 stope.

To date approximately 500 tonnes has been trucked to the ENAMI plant in Copiapo, the Company aims to have trucked 1,000 tonnes by the end of September.

The Company has been informed by SERNAGEOMIN (Chilean government mining regulator) that the technical and operational plans for Paraguay mine have been accepted and the Company is awaiting the permit to pass through the administrative process before being granted.

Acuity Controlled Placement Facility

The Company has entered into a Controlled Placement Agreement (“CPA”) with Acuity Capital Investment Management Pty Ltd (“Acuity Capital”) to enhance its capital management strategy by strengthening its overall capital management program. The agreement gives Metallum a standby financing facility which gives the Company the ability to take advantage of any growth opportunities which may arise.

“We’re pleased that we have secured a CPA with Acuity Capital which maximises flexibility in managing our capital requirements, particularly given the optionality of the facility which can assist the Company in maximising opportunities as they arise while minimising dilution and cost of capital,” Mr Reeves said.

Metallum is under no obligation to raise capital under the CPA. If the Company does decide to utilise the CPA, the Company has control, so Metallum determines the frequency, timing, maximum size and minimum issue price of any capital raised under the CPA.

The key features of the CPA are:

1. No obligation on the Company to place shares or to utilise the CPA;
2. The CPA provides Metallum with full control over the placement process, including the right to determine the following for each new placement:
 - a. Maximum Placement Amount to be issued for any particular Placement Period, minimising dilution of existing shareholders;
 - b. Floor Price, being the minimum issue price for that Placement Period, and
 - c. Placement Period, being the date(s) over which the VWAP and placement price is calculated;
3. Each new placement is issued at a 10% discount to a volume weighted average price (VWAP) over the Placement Period, subject to the Floor Price determined by the Company;

4. The actual issue price per share may be higher than the Floor Price set by the Company for a Placement Period. This will occur where a discounted VWAP of Metallum shares over the relevant Placement Period is above the Floor Price;
5. There are no fees for Metallum entering into the CPA and there are no options required to be issued;
6. Metallum has the right to cancel the CPA at any time for no fee;
7. No restrictions on Metallum entering into debt financing arrangements or from undertaking additional private placements, rights issues or shareholder purchase plans;
8. No restrictions on Metallum entering into strategic industry partnerships or undertaking acquisitions of assets and shares in the future;
9. Utilisation of the CPA is dependent on Metallum's available placement capacity under the ASX listing rules;
10. Acuity Capital is not obligated to provide capital, including where the requested Floor Price is above the market price or if the full standby equity capital has been utilised;
11. Facility term of 12 months.

For more information visit the Metallum website at www.metallum.com.au or contact:

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About Metallum Limited

Metallum Limited (ASX: MNE) is an Australian-based company that acquires and develops copper and gold projects around the world with a focus on Chile. The Company has an interest in the highly prospective, high grade El Roble Copper Project in Region III of Chile, targeting IOCG-style copper and gold mineralisation. The Company is focused on achieving growth and shareholder value through the development of near-term, small-scale mining operations at El Roble which will enable self-funded growth into the future. El Roble is ideally located 25km from the port of Caldera and within 80km of two copper toll treatment plants within the world class Atacama IOCG region, which has a history of high-grade copper production. The Company has commenced trucking copper-bearing material from the Panga mine at El Roble for processing at a nearby plant.

Metallum Limited also has an interest in the Comval Copper Project in the Philippines, and its Australian-based project, Teutonic, is prospective for gold and base metals.

Metallum Limited has a strong Board and management team with considerable technical, commercial and corporate experience in the resources sector.

For more information visit the Metallum Limited website at www.metallum.com.au

Competent Person's Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Zeffron Reeves (B App Sc (Hons) (Applied Geology) MBA, MAIG), a member of the Australian Institute of Geoscientists. Mr Reeves has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Reeves is a full time employee and Managing Director of Metallum Limited. The Company confirms that the form and context in which the information is presented has not been materially modified and it is not aware of any new information or data that materially affects the information included in the relevant market announcements, as detailed in the body of this announcement.