



COMPANY UPDATE

ASX ANNOUNCEMENT

15 OCTOBER 2015

Metallum Limited (ASX: MNE) provides the following update on its operational and corporate activities following the recent shut down of its mining operations at the El Roble project in Chile.

Given the currently depressed copper price and medium term outlook, the Board has now determined that restarting operations in Chile will not be economically beneficial to the Company in either the short or medium term. Following consultation with its external advisers, the Board has also determined that seeking to raise the capital required to improve the project economics, such that restarting mining operations would become viable, is unlikely to be successful in this climate. The Board has therefore resolved to seek to dispose its remaining Chilean assets and to instead focus on advancing the Teutonic project in Western Australia, reviewing the best options for its Comval assets in the Philippines and seeking other opportunities to create value for shareholders.

Board Changes

Concurrent with the above determination, Managing Director, Mr Zeffron Reeves, and Non-executive Director, Mr Colin "Cobb" Johnstone, have resigned from the Board, effective immediately. Both have indicated their willingness to help the Company in any way possible during this period of transition.

The Company would like to thank both Mr Reeves and Mr Johnstone for their commitment and service to the Company in what have been challenging times in the resources sector.

The Company also advises that its current Company Secretary, Ms Shannon Coates, and Miss Erlyn Dale have today been appointed to the Board as interim Non-executive Directors during the transition period, on the material terms outlined below. Mr Winton Willesee will continue as Chairman.

Shannon Coates

Shannon holds a Bachelor of Laws from Murdoch University and has over 20 years' experience in corporate law and compliance. She is a Chartered Secretary and currently acts as company secretary to several ASX and AIM listed companies. Shannon is also currently non-executive director of ASX and AIM listed Vmoto Limited.

Erlyn Dale

Erlyn has a broad range of experience in company administration and corporate governance, having been involved with several listed and unlisted public and other companies. Erlyn holds a Bachelor of Commerce (Accounting and Finance) and is a Chartered Secretary. Erlyn is also a non-executive director of ASX listed Cove Resources Limited.

Both Ms Coates and Miss Dale have agreed, subject to shareholder approval to be sought in due course, to sacrifice their cash Directors fees for shares in the Company. Mr Willesee has also agreed to a similar arrangement.

Disposal of Chilean Assets

The Company has considered a number of options regarding all of its assets and, in light of depressed copper prices and severe constraints on access to capital for the development of its resource projects, the expiration of its option over certain concessions at El Roble (ASX Release 15 September 2015), and following the determination that a restart of operations in Chile is not viable in the short and medium term, has determined to seek to dispose its remaining Chilean copper assets.

The Chilean companies and the entire Chilean operations currently have liabilities of approximately AUD295,000.

To quarantine Metallum from those existing and any future liabilities as it seeks to re-structure and re-capitalise for the next chapter of its development, the former Board of the Company (being current Chairman Winton Willesee, and former directors Zeffron Reeves and Cobb Johnstone) have conditionally agreed to acquire Metallum's Australian subsidiary, Atacama Holdings Pty Ltd, which holds a 100% interest in all the Chilean entities, for a nominal consideration, to effectively take assignment of those liabilities.

The abovementioned acquisition is conditional on there being no superior bids received for the Chilean assets from other parties and is also conditional on shareholder approval, which will be sought in due course.

The Company wishes to ensure the transaction is the best available to shareholders; and the new Board and the outgoing Directors are committed to ensuring a transparent and fair disposal process. To that end, the Board is offering any other interested parties an opportunity to make an alternate bid for the Chilean assets. To ensure the process is appropriate it has appointed Francisco Varela of Barros, Silva, Varela and Vigil solicitors as the independent arbiter to determine the best bid should there be any alternate bids received.

Anyone wishing to make a competing bid should contact Mr Varela on the details below.

Attention: Sr Francisco Varela
Barros, Silva, Varela and Vigil
Av. Apoquindo 3600, piso 13, Las Condes, Santiago, Chile / CP 7550108

Or by email:
fvarela@bsvv.cl

Alternately, competing bids should be submitted to the Company's Australian solicitors Steinepreis Paganin at the details below:

Attention: Mr Peter Wall
Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Or by email:
pwall@steinpag.com.au

Bids are to be titled "El Roble Offer".

All bids will remain confidential and will be independently assessed by the legal firm Barros, Silva, Varela and Vigil, and should be submitted within 45 days of the date of this release.

The process will allow the liabilities of the Chilean entities (both current and ongoing) to be removed from the Company's balance sheet and, in the Board's view, give the best possible outcome for existing shareholders in difficult market conditions.

CAPITAL RAISING ACTIVITIES

The Company also wishes to advise that it has accepted a proposal (**Proposal**) from its corporate adviser, Merchant Corporate Finance Pty Ltd (**Merchant**) to assist in re-capitalising the Company via a capital raising to raise up to approximately \$2 million to help meet its existing creditor obligations, advance the Teutonic project in Western Australia, review the best options for its Comval assets in the Philippines and seek other opportunities to create value for shareholders and for working capital (**Capital Raising**).

The Capital Raising will be undertaken via the issue of approximately 40,000,000,000 new Metallum shares at an issue price of \$0.00005 per share and will proceed by way of a priority offer to existing shareholders in the Company on a 47 for 1 basis (**Priority Share Offer**). In addition, for every share issued under the Priority Share Offer, each investor will receive one option to acquire an additional share at an exercise price of \$0.00006 per share, with an expiry date of 100 days from the date of issue.

Subject to the execution of an underwriting agreement, Merchant will underwrite the Capital Raising and will charge a standard underwriting fee of 5% of the funds raised and a management fee of 1% of funds raised.

Following completion of the Capital Raising, Metallum intends to proceed with a consolidation of its existing shares and options on a 400 for 1 basis.

To provide working capital in the interim, the Company has agreed to accept a convertible loan of up to \$400,000 from nominees of Merchant. The loan will be secured against Metallum and its assets (other than its Chilean assets) and, subject to shareholder approval, convertible to Metallum shares at the earlier of 3 months from draw down and the date of the shareholders meeting to seek approval for the Company's above mentioned proposed re-capitalisation activities, including disposal of the Chilean assets and the Priority Share Offer, at a conversion price equal to the issue price under the Priority Share Offer inclusive of any attaching options. An interest rate of 20% per annum will be applied to any loan funds drawn down which will be paid in shares on the same terms subject to shareholder approval. In addition, Merchant will charge a fee of 6% of the funds loaned.

In the event shareholder approval is obtained for the proposed re-capitalisation activities, the entire convertible loan and interest will convert into ordinary shares in the capital of Metallum at an issue price of \$0.00005 per share (pre-consolidation) plus attaching options on the same Terms as the proposed capital raising.

Completion of the Proposal (including the conversion of the convertible loan to shares) will be conditional upon the following:

- (i) Current Chairman, Mr Willesee, and former directors Messrs Reeves and Johnstone, agreeing to acquire Atacama Holdings Pty Ltd (the owner of the Chilean assets) from the Company for nominal consideration inclusive of shareholder approval, subject to no superior proposal;
- (ii) shareholders approving the following resolutions in general meeting:

- A. the issue of shares to Merchant or its nominees on conversion of the convertible loan; and
- B. the issue of shares pursuant to the Capital Raising.

A Notice of Meeting for the shareholders meeting to consider the proposed re-capitalisation activities will be provided in due course.

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. The Company currently has interests in the El Roble region in Chile, as well as the Comval Copper Project in the Philippines, and its Australian-based project, Teutonic Project.