

Metallica Minerals Limited

**ABN 45 076 696 092
And Controlled Entities**

Interim Financial Report

For the half year ended

31 December 2009

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Metallica Minerals Limited and Controlled Entities
ABN 45 076 696 092
Directors' Report

Your directors submit the interim financial report of the economic entity for the half year ended 31 December 2009.

1. THE DIRECTORS

The names of the directors who held office during or since the end of the half-year:

- David K Barwick (Non-executive Chairman)
- Andrew L Gillies (Managing Director)
- Peter B Nicholson (Non-executive Director)
- Shu Wu (Non-executive Director) Tao Li (alternate Non-executive Director)
- John K Haley (Executive Director)

2. OPERATING RESULTS

The loss of the economic entity after income tax, including equity accounted losses of associates, for the period was \$4,076,541 (31 December 2008: profit of \$4,987,927).

3. REVIEW OF OPERATIONS

During the period the Economic Entity:

- Continued development and exploration of its Mineral Projects, including the Pre-feasibility Study on the NORNICO nickel project, including acquiring the former Greenvale nickel mine site.
- Listed its subsidiary Metrocoal Limited on the Australian Stock Exchange in December 2009 raising \$10 million.
- Completed a rights issue by its 76% owned subsidiary Planet Metals Limited

4. EVENTS SUBSEQUENT TO BALANCE DATE

No matter or circumstance has arisen since 31 December 2009 that has significantly affected, or may significantly affect:

- a) the economic entity's operations in the future financial years; or
- b) the results of those operations in future financial years; or
- c) the economic entity's state of affairs in future financial years,

5. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C of the *Corporations Act 2001* is set out on page 5 for the half year ended 31 December 2009.

This report is signed in accordance with a resolution of the Board of Directors.

Signed:



A L Gillies
Managing Director


11 March 2010

**DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF METALLICA
MINERALS LIMITED**

In relation to our review of the Interim Financial Report of Metallica Minerals Limited for the half year ended 31 December 2009, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Metallica Minerals Limited.



Craig Jenkins
Director

BDO Audit (QLD) Pty Ltd

Brisbane, 11 March 2010

Metallica Minerals Limited and Controlled Entities
ABN 45 076 696 092
Statement of Comprehensive Income
for the Half-Year Ended 31 December 2009

	Economic Entity 31 December 2009	Economic Entity 31 December 2008
	\$	\$
Revenue	659,962	1,043,319
Gain on disposal of available for sale investments	-	8,200,000
Employee benefits expense	(854,476)	(941,425)
Share options expense	(104,809)	(161,207)
Depreciation expense	(173,715)	(99,998)
Advertising, conferences and travel expense	(66,086)	(32,123)
Listing fees and share registry expense	(62,052)	(50,489)
Brokerage and IPO costs	(716,546)	(246,949)
Other expenses	(1,569,308)	(426,553)
Impairment of mineral properties, exploration costs and investments	(426,241)	(140,112)
Equity accounted share of profits/(losses) of associates	(246,982)	(490,480)
Profit (loss) before income tax expense	(3,560,253)	6,653,983
Income tax (expense)/loss	(516,288)	(1,666,056)
Net profit/(loss) for the half year	(4,076,541)	4,987,927
Other comprehensive income		
Revaluation for available for sale investment (net of tax)	7,560	41,400
Total comprehensive income	(4,068,981)	(5,029,327)
Profit for the half-year is attributable to:		
Equity holders of Metallica Minerals Limited	(3,405,210)	4,987,927
Non-controlling interest	(671,331)	-
	(4,076,541)	4,987,927
Total comprehensive for the half-year is attributable to:		
Equity holders of Metallica Minerals Limited	(3,397,650)	(5,029,327)
Non-controlling interest	(671,331)	-
	(4,068,981)	(5,029,327)
	Cents	Cents
Basic earnings (loss) per share	(2.79)	4.44
Diluted earnings (loss) per share	(2.79)	4.06

The above Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements

Metallica Minerals Limited and Controlled Entities
ABN 45 076 696 092
Statement of Financial Position
as at 31 December 2009

	Economic Entity	Economic Entity
	31 December 2009	30 June 2009
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	16,798,435	17,598,541
Held to maturity investments	5,000,000	-
Trade and other receivables	673,266	343,660
Inventories	143,419	151,624
Other current assets	54,500	5,712
Total Current Assets	<u>22,669,620</u>	<u>18,099,537</u>
NON-CURRENT ASSETS		
Other non-current assets	972,695	994,451
Available for sale Investments	133,000	294,763
Investment in Associates	1,940,886	1,703,074
Exploration and evaluation expenditure	23,068,242	18,812,978
Property, plant and equipment	2,666,956	2,825,802
Intangible assets	71,018	71,018
Deferred tax assets	1,255,359	1,054,376
Total Non-Current Assets	<u>30,108,156</u>	<u>25,756,462</u>
TOTAL ASSETS	<u>52,777,776</u>	<u>43,855,999</u>
CURRENT LIABILITIES		
Trade and other payables	2,079,612	1,219,952
Provision for income tax	583,794	893,330
Financial liabilities	45,978	66,347
Total Current Liabilities	<u>2,709,384</u>	<u>2,179,629</u>
NON CURRENT LIABILITIES		
Provisions	817,627	817,627
Deferred tax liabilities	5,659,783	4,629,737
Total non current liabilities	<u>6,477,410</u>	<u>5,447,364</u>
TOTAL LIABILITIES	<u>9,186,794</u>	<u>7,626,993</u>
NET ASSETS	<u>43,590,982</u>	<u>36,229,006</u>
EQUITY		
Issued Capital	26,657,356	20,934,374
Reserves	5,783,977	5,671,608
Accumulated profits / (losses)	4,904,541	8,309,751
Total equity attributable to equity holders of the Company	37,345,874	34,915,733
Non-controlling interest	6,245,108	1,313,273
TOTAL EQUITY	<u>43,590,982</u>	<u>36,229,006</u>

The above Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Metallica Minerals Limited and Controlled Entities

ABN 45 076 696 092

Statement of Changes in Equity

For the Half Year ended 31 December 2009

	Issued Capital	Accumulate d Profits (Losses)	Options Reserve	Asset Revaluation Reserve	Non- controlling Interest	Totals
	\$	\$	\$	\$	\$	\$
Balance at 01.07.2009	20,934,374	8,309,751	5,465,948	205,660	1,313,273	36,229,006
Total comprehensive income/(loss) for the period	-	(3,405,210)	-	7,560	(671,331)	(4,068,981)
Recognition of non- controlling interest	-	-	-	-	5,603,166	5,603,166
Net gain on capital issued by subsidiary	5,722,982	-	-	-	-	5,722,982
Options expense for period	-	-	104,809	-	-	104,809
Balance at 31.12.2009	<u>26,657,356</u>	<u>4,904,541</u>	<u>5,570,757</u>	<u>213,220</u>	<u>6,245,108</u>	<u>43,590,982</u>
Balance at 01.07.2008	17,886,879	5,596,708	5,136,228	5,850,667	282,455	34,752,937
Shares issued during the period	426,002	-	-	-	-	426,002
Recycling of gain on investment on disposal	-	-	-	(5,775,000)	-	(5,775,000)
Total comprehensive income/(loss) for the period	-	4,987,927	-	41,400	-	5,029,327
Options expense for period	-	-	161,207	-	-	161,207
Balance at 31.12.2008	<u>18,312,881</u>	<u>10,584,635</u>	<u>5,297,435</u>	<u>117,067</u>	<u>282,455</u>	<u>34,594,473</u>

The above Statement of Changes of Equity should be read in conjunction with the notes to the financial statements

Metallica Minerals Limited and Controlled Entities
ABN 45 076 696 092
Statement of Cash Flows
for the Half-Year Ended 31 December 2009

	Economic Entity	Economic Entity
	31 December	31 December
	2009	2008
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	(104,168)	537,922
Payments to suppliers and employees	(2,879,703)	(2,226,660)
Interest received	434,524	293,504
Net cash provided by (used in) operating activities	(2,549,347)	(1,395,234)
CASH FLOWS FROM INVESTING ACTIVITIES		
Short term investment	(5,000,000)	-
Proceeds from sale of investment	-	20,000,000
Investment in Associate	-	(1,067,100)
Payments for property, plant and equipment	(14,869)	(167,913)
Loans to associate	(199,319)	(400,000)
Payment of Exploration and Evaluation Expenditure	(3,504,620)	(3,849,403)
Net cash provided by (used in) investing activities	(8,718,808)	14,515,584
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	60,007
Repayment of borrowings	(20,469)	-
Proceeds from issue of shares	11,486,603	426,002
Share issue costs	(998,085)	-
Net cash provided by (used in) financing activities	10,468,049	486,009
NET INCREASE (DECREASE) IN CASH HELD	(800,106)	13,606,359
Cash at beginning of period	17,598,541	7,457,431
CASH AT END OF PERIOD	16,798,435	21,063,790

The above Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

Metallica Minerals Limited and Controlled Entities
ABN 45 076 696 092
Notes to the Financial Statements
for the Half-Year Ended 31 December 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The half year financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this interim financial report be read in conjunction with the annual financial report of the year ended 30 June 2009 and any public announcements made by Metallica Minerals Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2009 financial report.

The half-year interim financial report does not include full disclosures of the type normally included in an annual financial report.

(a) Reporting Basis and Conventions

The half-year interim financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets for which the fair value basis of accounting has been applied.

Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the separate income statement/single statement approach to the presentation of the Statement of Comprehensive Income; and
- other financial statements are renamed in accordance with the Standard.

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

Metallica Minerals Limited and Controlled Entities
ABN 45 076 696 092
Notes to the Financial Statements
for the Half-Year Ended 31 December 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(b) Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. This includes the realisation of capitalised exploration expenditure of \$23,068,242 (30 June 2009: \$18,812,978). The ability of the economic entity to maintain continuity of normal business activities, to pay its debts as and when they fall due and to recover the carrying value of areas of interest, is dependent on the ability of the economic entity to the successfully raise additional capital and/or successful exploration and subsequent exploitation of areas of interest through sale or development.

(c) Comparative Figures

Where required by Australian Accounting Standard AASB 134: Interim Financial Reporting, comparative figures have been adjusted to conform to changes in presentation for the current period.

NOTE 2: SIGNIFICANT ITEMS

(a) the following significant items of revenue and/or expense have occurred in determining the profit/(loss) after income tax for the period:

Gain on disposal of available for sale investments	-	8,200,000
Brokerage and IPO costs not associated with transaction costs	(716,546)	-
Prior year over provision of income tax affecting income tax expense	309,536	-
Derecognition of carried forward tax losses at 31 December 2009 due to low probability of taxable income affecting income tax expense	(1,271,660)	-

(b) The following significant items of equity occurred during the year:

Gain on capital issued by a subsidiary	5,722,982	-
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Where a subsidiary makes a new issue of capital subscribed by non-controlling interests, the parent company may make a gain/(loss) due to dilution of non-controlling interests. These gains/(losses) are recognised in equity and attributed to the parent company.

NOTE 3: CONTINGENT LIABILITIES

There were no changes to the contingent liabilities reported in the 30 June 2009 annual report.

NOTE 4: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2009 that has significantly affected or may significantly affect the operations, results or state of affairs of the economic entity in the following or future years.

Metallica Minerals Limited and Controlled Entities
ABN 45 076 696 092
Notes to the Financial Statements
for the Half-Year Ended 31 December 2009

NOTE 5: SEGMENT REPORTING

The Group has identified its operating segments on the basis of the internal reports that are regularly reviewed by the parent company's Board of Directors, which is the chief operating decision maker for the Group. These internal reports are used to assist the Board to assess performance and allocate resources. In accordance with its internal reporting the Group has determined that there are four operating segments within the Group. These are:

1. NORNICO, a nickel development and exploration project in Queensland;
2. Bauxite, through an investment in an Associate exploring for bauxite;
3. Coal Related, Metallica Minerals Ltd investment in Metrocoal Ltd that has recently undertaken its initial public offering; and
4. Other Metals & Minerals and Unallocated, reflecting the balance of the group's assets over a variety of exploration targets

Because the four operating segments are contained to Australia, the Group has determined that it is not necessary to report separately in relation to geographical segments.

Basis of accounting for reporting for by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board as the chief decision maker with respect to operating segments are determined in accordance with accounting policies consistent with those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all inter-segment transactions. Transfer prices are based on prices that would be achieved if the transfer was to an arms-length third party. All intra-group transactions are eliminated on consolidation for the Group's financial statements. Costs of management and administration services are transferred to operating segments based on the estimated cost to the operating segment of obtaining the services from external third parties, or generating them internally. Day to day expenses incurred by a segment on behalf of another are not added to or deducted from parent company loans, and are settled on normal arms-length commercial terms.

Segment assets and liabilities

Because of the self-contained nature of the operating segments, segment assets and liabilities are usually clearly attributable to the appropriate operating segment.

Unallocated items

There are a number of unallocated items which do not qualify as an operational segment in their own right and these have been disclosed under Other Metals & Minerals and Other Assets.

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

Metallica Minerals Limited and Controlled Entities
ABN 45 076 696 092
Notes to the Financial Statements
for the Half-Year Ended 31 December 2009

NOTE 5: SEGMENT REPORTING CONTINUED

	Nornico	Bauxite	Coal Related	Other Metals & Minerals & Others	Total Group
Statement of Comprehensive Income For The Six Months Ended 31 December 2009					
Revenue	-	-	-	659,962	659,962
Expenses	-	-	-	(3,973,233)	(3,973,233)
Equity accounted share of profits/(losses) of associates	-	(246,982)	-	-	(246,982)
Net profit/(loss) before tax	-	(246,982)	-	(3,313,271)	(3,560,253)

Statement of Comprehensive Income For The Six Months Ended 31 December 2008					
Revenue	-	-	-	9,243,319	9,243,319
Expenses	-	-	-	(2,098,856)	(2,098,856)
Equity accounted share of profits/(losses) of associates	-	(490,480)	-	-	(490,480)
Net profit/(loss) before tax	-	(490,480)	-	7,144,463	6,653,983

Statement of Financial Position

As At 31 December 2009

Exploration & evaluation expenditure & other assets	15,504,428	1,456,092	11,054,439	23,507,458	51,522,417
Deferred tax assets	-	-	-	1,255,359	1,255,359
Total Other assets	15,504,428	1,456,092	11,054,439	24,762,817	52,777,776

Statement of Financial Position

As At 30 June 2009

Exploration & evaluation expenditure & other assets	12,328,622	1,703,074	1,372,911	27,397,016	42,801,623
Deferred tax assets	-	-	-	1,054,376	1,054,376
Total Other assets	12,328,622	1,703,074	1,372,911	28,451,392	43,855,999

Metallica Minerals Limited and Controlled Entities
ABN 45 076 696 092
Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 11:
 - (a) comply with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the economic entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director Andrew Langham Gillies

Dated this 11th day of March 2010

INDEPENDENT AUDITOR'S REVIEW REPORT

To The Members of Metallica Minerals Limited

Report on the Half-year Interim Financial Report

We have reviewed the half-year interim financial report of Metallica Minerals Limited, which comprises the statement of financial position as at 31 December 2009, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-year Interim Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year interim financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the disclosing entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Metallica Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year interim financial report of Metallica Minerals Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of Matters on Going Concern and Carrying Value of Exploration Expenditure

Without qualification to the opinion expressed above, we draw attention to the matters set out in Note 1(b). The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. This includes the realisation of capitalised exploration expenditure of \$23,068,242 (30 June 2009: \$18,812,978). The ability of the disclosing entity to maintain continuity of normal business activities, to pay their debts as and when they fall due and to recover the carrying value of their areas of interest, is dependent upon the ability of the disclosing entity to successfully raise additional capital and/or the successful exploration and subsequent exploitation of their areas of interest through sale or development.

No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the disclosing entity's plans not eventuate.

BDO Audit (QLD) Pty Ltd



C R Jenkins

Director

Brisbane, 11 March 2010