
**Metallica Minerals Limited
And Controlled Entities**
ABN 45 076 696 092

Interim Financial Report
For the half-year ended 31 December 2010

**Metallica Minerals Limited
And Controlled Entities
ABN 45 076 696 092**

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**Metallica Minerals Limited
And Controlled Entities
ABN 45 076 696 092**

Directors' Report

Your directors present their report on the consolidated entity (the group) consisting of Metallica Minerals Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2010.

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) (resigned 24 November 2010)
- Shu Wu (Non-executive Director) Tao Li (alternate Non-executive Director)
- John K Haley (Executive Director)
- Barry J Casson (Non-executive Director) (appointed 1 December 2010)

Operating results

The loss of the consolidated entity after income tax, including equity accounted losses of associates, for the period was \$3,172,306 (31 December 2009: loss of \$4,076,541).

Review of operations

During the period the consolidated entity continued development and exploration of its Mineral Projects, including a Scoping Study on the NORNICO nickel-cobalt-scandium project, including development and exploration of the former Greenvale nickel mine site.

Events subsequent to balance date

On 3 February 2011 Hazelwood Resources Limited advised that it was not exercising its option to purchase the Wolfram Camp project from Planet Metals Limited, which is a subsidiary of Metallica Minerals Limited.

No other matter or circumstance has arisen since 31 December 2010 that has significantly affected, or may significantly affect:

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

Auditor's independence declaration

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 4 for the half-year ended 31 December 2010.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s 306(3) of the Corporations Act 2001.

On behalf of the directors



D K Barwick
Chairman
Brisbane


14 March 2011

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

In relation to our review of the Financial Report of Metallica Minerals Ltd for the half year ended 31 December 2010, 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 Ltd and its controlled entities.



Craig Jenkins

Director

BDO Audit (QLD) Pty Ltd

Brisbane, 14 March 2011

**Metallica Minerals Limited
And Controlled Entities
ABN 45 076 696 092
Statement of Comprehensive Income
for the Half Year Ended 31 December 2010**

	Consolidated Entity 2010 \$	Consolidated Entity 2009 \$
Continuing operations		
Revenue	98,585	431,215
Purchases and cost of sales	(149,451)	(200,171)
Gross profit/(loss)	(50,866)	231,044
Other income	93,291	-
Profit on sale of investment	1,286,933	-
Employee benefits expense	(1,221,520)	(854,476)
Share option expense	(187,769)	(104,809)
Depreciation and amortisation	(85,503)	(173,715)
Advertising, conferences and travel expenses	(153,646)	(66,086)
Listing fees and registry expense	(107,721)	(62,052)
IPO costs	-	(716,546)
Impairment of mineral properties, exploration costs and financial assets	(1,118,149)	(426,241)
Other expenses	(1,230,975)	(1,321,656)
Results from operating activities	(2,775,925)	(3,265,790)
Finance income	551,580	228,747
Finance costs	(53,885)	(47,481)
Net finance costs	497,695	181,266
Share of loss of equity accounted associates (net of income tax)	(1,170,638)	(246,982)
Profit/(loss) before income tax	(3,448,868)	(3,560,253)
Income tax (expense) /benefit	276,562	(516,288)
Profit/(loss) from continuing operations	(3,172,306)	(4,076,541)
Discontinued operations		
Profit/(loss) from discontinued operations (net of tax)	-	-
Profit/(loss) for the year	(3,172,306)	(4,076,541)
Other comprehensive income		
Revaluation of available for sale investments (net of tax)	24,010	7,560
Total comprehensive income/(loss)	(3,148,296)	(4,068,981)
Profit/(loss) attributable to:		
Owners of the Company	(2,574,441)	(3,405,210)
Non-controlling interests	(597,865)	(671,331)
	(3,172,306)	(4,076,541)

**Metallica Minerals Limited
And Controlled Entities
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Statement of Comprehensive Income (continued)
for the Half Year Ended 31 December 2010

	Consolidated Entity 2010 \$	Consolidated Entity 2009 \$
Total comprehensive income/(loss) attributable to:		
Owners of the Company	(2,550,431)	(3,397,650)
Non-controlling interests	(597,865)	(671,331)
	(3,148,296)	(4,068,981)
	Cents	Cents
Earnings per share for profit/loss from continuing operations		
Basic earnings/(loss) per share	(2.60)	(2.79)
Diluted earnings/(loss) per share	(2.60)	(2.79)
Earnings per share for profit/loss from discontinued operations		
Basic earnings/(loss) per share	-	-
Diluted earnings/(loss) per share	-	-
Earnings per share for profit/loss for the year		
Basic earnings/(loss) per share	(2.60)	(2.79)
Diluted earnings/(loss) per share	(2.60)	(2.79)

The above Consolidated 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
Consolidated Statement of Financial Position
as at 31 December 2010**

	Consolidated Entity 2010 \$	Consolidated Entity 2009 \$
Current Assets		
Cash and cash equivalents	5,624,493	7,120,294
Held to maturity investments	15,898,340	9,205,618
Trade and other receivables	345,852	389,741
Inventories	133,522	147,421
Other current assets	37,947	45,013
Held-for-sale	4,501,764	4,301,980
Total Current Assets	<u>26,541,918</u>	<u>21,210,067</u>
Non-Current Assets		
Other non-current assets	251,531	151,921
Investment in associates	240,950	1,416,388
Available-for-sale financial assets	72,694	118,683
Plant and equipment	495,921	564,033
Exploration and evaluation expenditure	28,234,148	25,496,119
Total Non-Current Assets	<u>29,295,244</u>	<u>27,747,144</u>
TOTAL ASSETS	<u>55,837,162</u>	<u>48,957,211</u>
Current Liabilities		
Trade and other payables	884,443	988,481
Held -for- sale liability	817,627	817,627
Financial liabilities	19,489	30,398
Total Current Liabilities	<u>1,721,559</u>	<u>1,836,506</u>
Non-Current Liabilities		
Provisions	-	26,812
Deferred tax liabilities	2,423,734	2,700,296
Total Non-Current Liabilities	<u>2,423,734</u>	<u>2,727,108</u>
TOTAL LIABILITIES	<u>4,145,293</u>	<u>4,563,614</u>
NET ASSETS	<u>51,691,869</u>	<u>44,393,597</u>
Equity		
Issued capital	20,294,506	20,294,506
Reserves	16,795,936	12,811,086
Retained Earnings	2,710,363	5,284,804
Total equity attributable to equity holders of the company	<u>39,800,805</u>	<u>38,390,396</u>
Non-controlling interests	11,891,064	6,003,200
TOTAL EQUITY	<u>51,691,869</u>	<u>44,393,597</u>

The above Consolidated 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**

**Consolidated Statement of Changes in Equity
for the Half-Year ended 31 December 2010**

Consolidated Entity	Issued Capital \$	Options reserve \$	Asset revaluation surplus \$	Gain on change in proportionate interest \$	Retained earnings \$	Sub-total \$	Non-controlling interest \$	Totals \$
Balance at 1 July 2009	20,934,374	5,465,948	205,660	-	8,309,751	34,915,733	1,313,273	36,229,006
Profit/(loss) for the year after income tax	-	-	-	-	(3,405,210)	(3,405,210)	(671,331)	(4,076,541)
Other comprehensive income	-	-	7,560	-	-	7,560	-	7,560
Total comprehensive income/(loss) for the year	-	-	7,560	-	(3,405,210)	(3,397,650)	(671,331)	(4,068,981)
Transactions with owners, recorded directly in equity								
Amortisation of options issued	-	104,809	-	-	-	104,809	-	104,809
Net gain on capital issued by subsidiary	5,722,982	-	-	-	-	5,722,982	-	5,722,982
Recognition of non-controlling interest	-	-	-	-	-	-	5,603,166	5,603,166
Balance at 31 December 2009	26,657,356	5,570,757	213,220	-	4,904,541	5,827,791	6,245,108	43,590,982
Balance at 1 July 2010	20,294,506	5,681,251	201,460	6,928,375	5,284,804	38,390,396	6,003,200	44,393,597
Profit/(loss) for the year after income tax	-	-	-	-	(2,574,441)	(2,574,441)	(597,865)	(3,172,306)
Other comprehensive income	-	-	24,010	-	-	24,010	-	24,010
Total comprehensive income/(loss) for the year	-	-	24,010	-	(2,574,441)	(2,550,431)	(597,865)	(3,148,296)
Transactions with owners, recorded directly in equity								
Amortisation of options issued	-	407,739	-	-	-	407,739	-	407,739
Net gain on capital issued by subsidiary	-	-	-	3,553,101	-	3,553,101	-	3,553,101
Recognition of non-controlling interest	-	-	-	-	-	-	6,485,729	6,485,729
Balance at 31 December 2010	20,294,506	6,088,990	225,470	10,481,476	2,710,363	39,800,805	11,891,064	51,691,869

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

**Metallica Minerals Limited
And Controlled Entities
ABN 45 076 696 092
Consolidated Statement of Cash Flows
for the Half-Year Ended 31 December 2010**

	Consolidated Entity 2010 \$	Consolidated Entity 2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	615,555	(104,168)
Payments to suppliers and employees	(3,746,822)	(2,879,703)
Interest received	551,580	434,524
Net cash used in operating activities	<u>(2,579,687)</u>	<u>(2,549,347)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for security deposits	(99,610)	-
Short term investment	(6,692,722)	(5,000,000)
Proceeds from sale of investment	1,000,000	-
Payment for property, plant and equipment	(333,542)	(14,869)
Loans to associate	-	(199,319)
Payment for exploration and evaluation expenditure	(2,610,162)	(3,504,620)
Net cash used in investing activities	<u>(8,736,036)</u>	<u>(8,718,808)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(10,909)	(20,469)
Proceeds from issue of shares	10,500,000	11,486,603
Share issue costs	(669,169)	(998,085)
Net cash provided by financing activities	<u>9,819,922</u>	<u>10,468,049</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,495,801)	(800,106)
Cash and cash equivalents at the beginning of the period	7,120,294	17,598,541
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>5,624,493</u>	<u>16,798,435</u>

The above Consolidated 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 2010**

Note 1: Statement of significant accounting policies

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and accordingly any public announcements made by Metallica Minerals Limited (the company) during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

Basis of preparation

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the 2010 annual financial report, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the group include:

- Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project.

AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings. The adoption of these amendments has not resulted in any changes to the group's accounting policies and have no effect on the amounts reported for the current or prior periods.

UNCERTAINTIES REGARDING GOING CONCERN & RECOVERABILITY OF EXPLORATION & EVALUATION EXPENDITURE & ASSOCIATED HELD FOR SALES ASSETS

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 and evaluation expenditure of \$28,234,148 (30 June 2010: \$25,496,119) and associated held for sale assets of \$4,501,764. The ability of the consolidated to maintain continuity of normal business activities, to pay its debts as and when they fall due and to recover the carrying value of exploration and evaluation expenditure and associated held for sale assets, is dependent on the ability of the consolidated to the successfully raise additional capital and/or successful exploration and subsequent exploitation of areas of interest through sale or development.

**Metallica Minerals Limited
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Notes to the Financial Statements
for the Half-Year Ended 31 December 2010**

Note 2: Net profit/(loss) for the half year

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

	Consolidated Entity 2010 \$	Consolidated Entity 2009 \$
IPO costs not associated with transaction costs	-	(716,546)
Prior year over provision of income tax affecting income tax expense	-	309,536
De-recognition of carried forward tax losses at 31 December 2009.	-	(1,271,660)

Note 3: Issued capital

The following significant items of equity occurred during the period:

	Consolidated Entity 2010 \$	Consolidated Entity 2009 \$
Gain on capital issued by a subsidiary	-	5,722,982
Gain on dilution of investment in subsidiary	3,086,854	-

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.

There were no other movements in the issued capital of the company in either the current or the prior interim reporting periods.

Note 4: Contingent liabilities

MetroCoal Limited has entered into a Feasibility Funding Deed with Wiggins Island Coal Export Terminal Pty Ltd (WICET) to fund a proportion of feasibility costs in return for securing terminal capacity for the planned port expansion at Wiggins Island, Gladstone. Under the requirements of this deed, on 3 December 2010 MetroCoal provided WICET a bank guarantee for \$2M to cover Metrocoal's share of WICET's costs. Whilst the bank guarantee has not been called upon by WICET to balance date, WICET does have the capacity to call upon this bank guarantee issued in their favour.

In order to provide the bank guarantee, MetroCoal have entered into an agreement with St George Bank to allow the bank to take security over a \$2M term deposit. MetroCoal Ltd has not provided any financial guarantees to St George Bank in lieu of obtaining the bank guarantee necessary to meet the requirements of the WICET deed. Contained in cash is a term deposit for \$2 million with St George who hold security over this cash pursuant to the Bank Guarantee facility.

**Metallica Minerals Limited
And Controlled Entities
ABN 45 076 696 092
Notes to the Financial Statements
for the Half-Year Ended 31 December 2010**

Note 5: Subsequent events

On 3 February 2011 Hazelwood Resources Limited advised that it was not exercising its option to purchase the Wolfram Camp project from Planet Metals Limited, which is a subsidiary of Metallica Minerals Limited.

No other matter or circumstance has arisen since 31 December 2010 that has significantly affected, or may significantly affect:

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

**Metallica Minerals Limited
And Controlled Entities
ABN 45 076 696 092
Notes to the Financial Statements
for the Half-Year Ended 31 December 2010**

Note 6: Segment reporting

	Normnico		Bauxite (Equity Interest)		Coal Related		Planet Metals		Other Metals & Minerals & Others		Total	
	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
External revenues	-	-	-	-	-	-	-	-	98,585	408,899	98,585	408,899
Inter-segment revenue	-	-	-	-	-	-	-	-	85,281	-	85,281	-
Interest income	171	-	-	14,223	24,419	12,545	161,114	201,979	551,580	228,747	-	
Profit on sale of investments	-	-	-	-	-	-	826,933	-	826,933	-	-	
Option fees and other	-	-	-	-	462,288	9,571	5,722	12,000	468,010	21,571	-	
Total segment revenue	171	-	-	14,223	486,707	22,116	1,177,635	622,878	2,030,389	659,217	-	
Interest expense	-	-	-	-	-	-	-	-	-	-	-	
Depreciation and amortisation	(43,163)	(75,797)	-	(4,284)	(16,308)	(76,479)	(14,188)	(17,155)	(85,503)	(173,715)	-	
Share of profits/(losses) of associates	-	-	-	(1,023,834)	(246,982)	-	(146,804)	-	(1,170,638)	(246,982)	-	
Other material non-cash items: - impairment losses/reversals	-	-	-	-	-	-	-	-	-	-	-	
- Other investments	-	-	-	(898,149)	-	-	(70,000)	(100,000)	(968,149)	(100,000)	-	
-employee benefits expense	(605,615)	(461,891)	-	(104,501)	(181,703)	(142,365)	(138,280)	(145,719)	(1,221,520)	(854,476)	-	
-other expenses	-	-	-	-	-	-	-	-	-	-	-	
Profit/loss before income tax from continuing operations	-	-	-	-	-	-	-	-	(3,172,306)	3,485,962	-	

Metallica Minerals Limited
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Notes to the Financial Statements
for the Half-Year Ended 31 December 2010

Note 6: Segment reporting (continued)

	Nornico		Bauxite (Equity Interest)		Coal Related		Planet Metals		Other Metals & Minerals & Others		Total	
	31/12/10	30/06/10	31/12/10	30/06/10	31/12/10	30/06/10	31/12/10	30/06/10	31/12/10	30/06/10	31/12/10	30/06/10
Reportable segment assets	27,756,535	29,620,242	-	1,023,834	19,432,671	10,302,864	2,774,587	2,062,674	1,299,669	1,645,617	51,263,462	44,655,231
Unallocated: Held for sale assets	-	-	-	-	-	-	4,570,700	4,301,980	-	-	4,573,700	4,301,980
Total group assets	27,756,535	29,620,242	-	1,023,834	19,432,671	10,302,864	7,345,287	6,364,654	1,299,669	1,645,617	55,837,162	48,957,211

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

The directors of the company declare that:

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - a. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulation 2001; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date.
2. In the Director's 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 pursuant to s 303 (5) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to be 'D K Barwick', written over a large, hand-drawn oval shape.

D K Barwick
Chairman
Brisbane

Dated this 14th day of March 2011

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Metallica Minerals Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Metallica Minerals Ltd, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report 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 consolidated entity's financial position as at 31 December 2010 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 Ltd, 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 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 given to the directors as at the time of this auditor's report.

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 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 consolidated entity's financial position as at 31 December 2010 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 Uncertainties Regarding Going Concern and Recoverability of Exploration & Evaluation Expenditure and Held for Sale Assets

Without qualification to the conclusion expressed above, we draw attention to the matters set out in Note 1. 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 and evaluation expenditure of \$28,234,148 (30 June 2010: \$25,496,119) and held for sale assets of \$4,501,764 (30 June 2010: \$4,301,980). The ability of the consolidated 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 exploration and evaluation expenditure and held for sale assets, is dependent upon the ability of the consolidated entity to successfully raise additional capital and/or the successful exploration and subsequent exploitation of their areas of interest through sale or development. As a result of these factors, there exists material uncertainty regarding the ability of the consolidated entity to continue as a going concern. Adjustments may be required to the carrying value of assets or recorded amount of liabilities should the consolidated entity's plans not eventuate.

BDO Audit (QLD) Pty Ltd



Craig Jenkins

Director

Brisbane: 14 March 2011