



ASX RELEASE

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MetroCoal commences Surat Drilling Program

The exploration program, funded by the recent seed capital raising has been commenced by MetroCoal Limited in Queensland's Surat Basin, ahead of the planned public float of the Company late this year or early next year.

MetroCoal - the 84% subsidiary of listed Queensland resources group, Metallica Minerals Limited (ASX:MLM) - announced the commencement of the 5,000m drilling program today over at least three key targets within its 100%-owned Surat Coal Basin acreage.

The initial 15-hole drilling program, likely to be completed within 4 weeks, is expected to confirm historic coal seam intersections and the continuity of the Wandoan coal seams within each of the large exploration target areas. This will provide a base for future exploration planning, resource delineation (*See Note 1*) and development studies.

The drilling program announced today is part of MetroCoal's growth strategy to establish significant Surat Basin coal deposits suitable for both :-

- Extraction by conventional underground and open pit coal mining to generate thermal coal exports, and
- Underground Coal Gasification (UCG) for the purpose of generating coal gas (syngas) as feedstock principally for liquid fuels.

MetroCoal holds seven exploration tenements covering some 4,000 square kilometres of thermal coal bearing strata within the Basin.

The primary target is the highly prospective Macalister Seam in the Juandah Coal Measures of the Walloon sub-group. These coal measures are known to host the 1 billion tonne-plus Wandoan Deposit located adjacent MetroCoal's EPC 1164, see Figure 1 below.

Other priority areas being tested are the down dip extensions of the Cameby Downs deposit near Miles in MetroCoal's EPC 1165, and the down dip extensions of Wilkie Creek deposit west of Dalby in MetroCoal's EPC 1166.



Historic drilling together with earlier seismic programs has confirmed the down dip extension of the Juandah Coal Measures into MetroCoal’s tenements.

Many holes drilled during these historic programs were, however, stopped at depths around 80-100m, above coal seams or without intersecting all the seams.

This has created a number of apparent gaps in the data base and several holes in the new campaign will be drilled in the most prospective areas to infill these data gaps.

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Note 1 – In accordance with the requirements of clause 18 of the JORC code regarding exploration, the following statement concerning exploration targets is made: While there is known coal strata with attractive seam thicknesses and coal quality in the target area, the potential quantity and quality is conceptual in nature and that there may still be insufficient information to define a mineral resource and it is also uncertain if further exploration will result in the determination of a mineral resource.

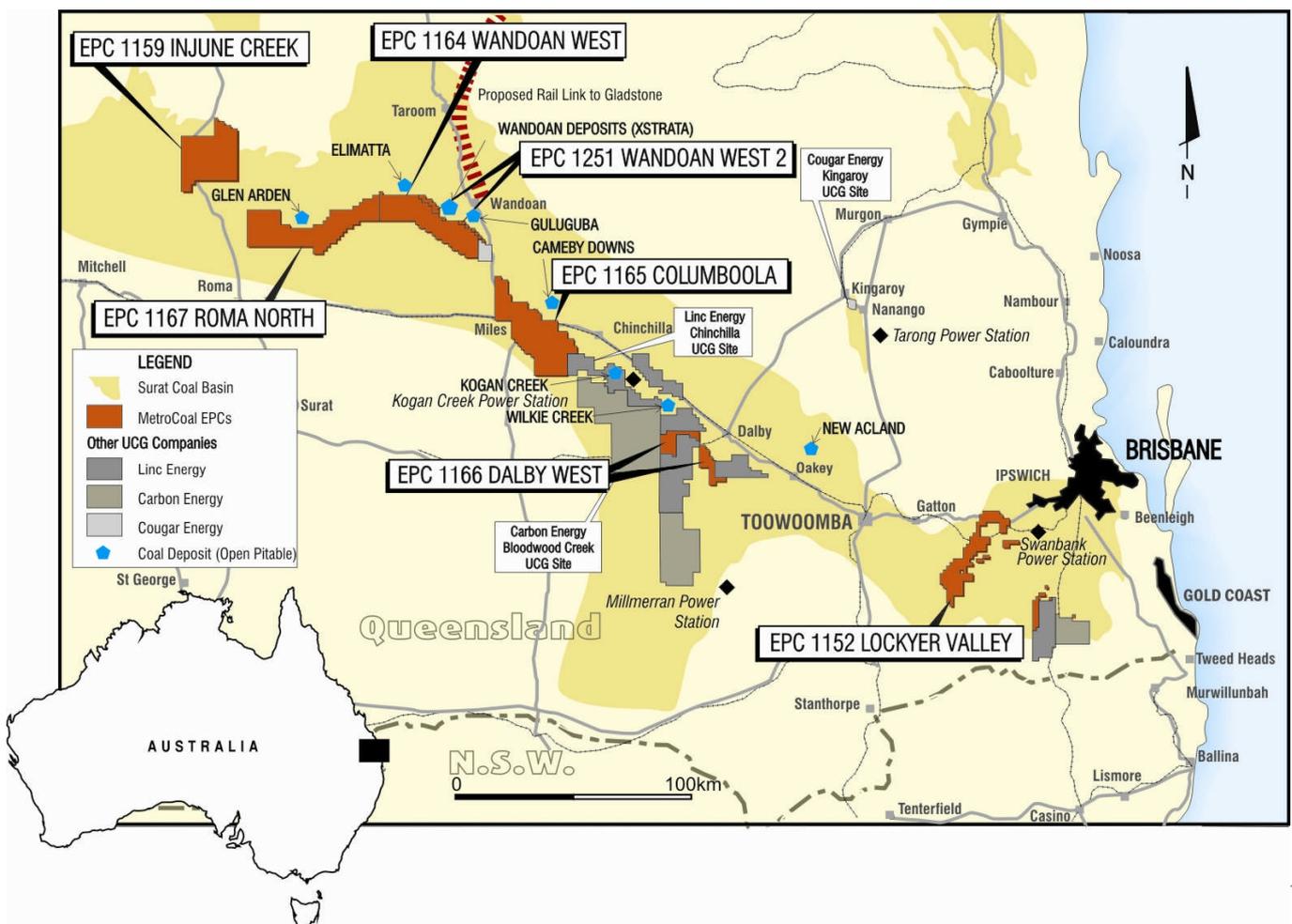


Figure 1 - MetroCoal Tenements and Setting