



ASX ANNOUNCEMENT AND MEDIA RELEASE

24 March, 2009

Drilling starts on Metallica Minerals' 84%-owned

Queensland Underground Coal Gasification (UCG) project

Queensland's emerging Underground Coal Gasification (UCG) sector has marked a milestone today with the start of drilling on the promising Wandoan UCG project, northwest of Brisbane in the Surat Basin.

The drilling program is being undertaken by Metallica Minerals Limited's (ASX code: "MLM") 84%-owned subsidiary, Metrocoal Limited, which holds seven tenements covering about 4,000 sq km in the Surat Basin.

The UCG drill target is within a 60 square kilometre tenement near Wandoan, with an initial exploration coal target potentially big enough to support a coal gas to liquids (GTL) plant producing 20,000 barrels per day.

Metallica Minerals' Managing Director, Mr Andrew Gillies, said the drill start provided strong onground evidence of the confidence by UCG proponents to develop a new efficient and cleaner energy era around Queensland's coal seams.

"Critically, it will evolve for Metallica (through MetroCoal) a potential new cornerstone business as our first energy-based revenue earner, in addition to our drive to commercialise the Company's advanced nickel-cobalt, bauxite (investment in Cape Alumina Limited) and other mineral projects located in Queensland," Mr Gillies said.

The full announcement from MetroCoal is attached.

A handwritten signature in black ink, appearing to read 'Andrew Gillies'.

Andrew Gillies
Managing Director

Enquiries: - (07) 3891 9611 or
admin@metallicaminerals.com.au





MEDIA RELEASE

24 March 2009

MetroCoal begins drilling Underground Coal Gasification (UCG) targets

Coal and energy exploration company MetroCoal has announced the commencement of a drilling program in its exclusively held tenement in the Surat Basin.

MetroCoal CEO Mike O'Brien said that the drilling program within the 60km² tenement area near Wandoan has an exploration target^(*) of between 125 Mt and 155 Mt the in initial area of drilling. This target could be capable of supporting a coal gas-to-liquids (GTL) plant producing 20,000 barrels of liquid fuels per day for more than 20 years and is expected to increase as the drilling program expands.

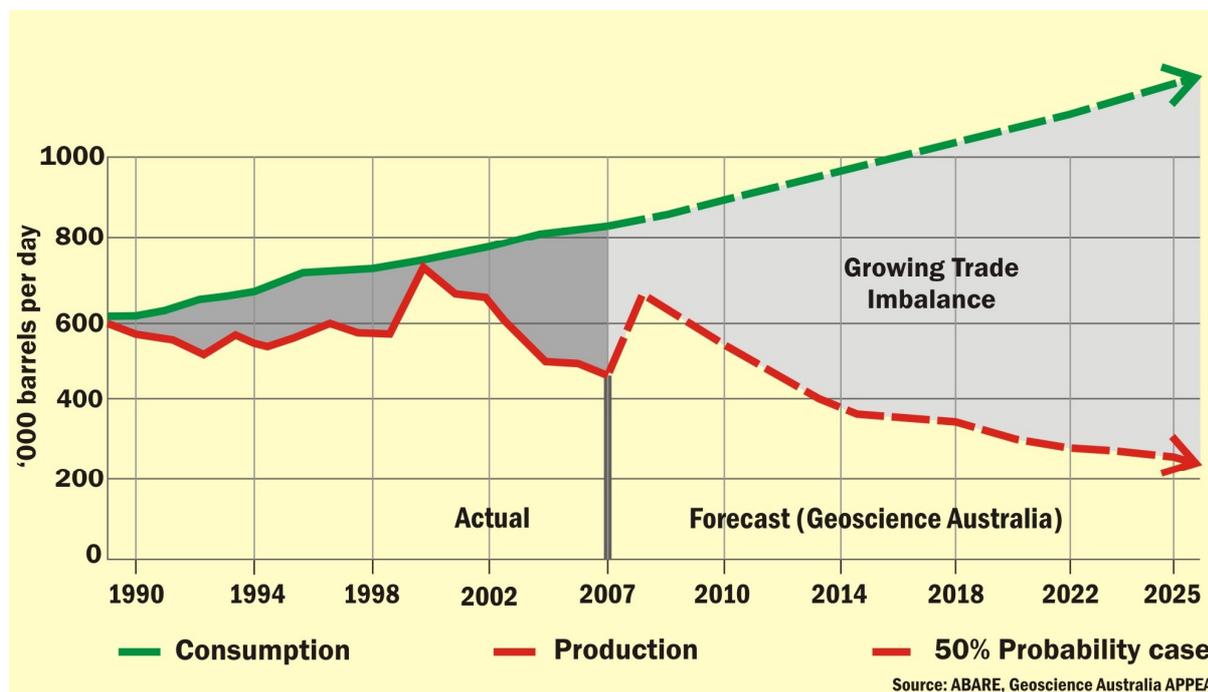
"The Queensland Government's UCG policy has provided MetroCoal with the confidence that this tenement area will be able to be explored exclusively for coal for UCG development," Mr O'Brien said. "We are therefore aggressively targeting this high priority area as the backbone of our UCG strategy" Mr O'Brien said.

"Australia is expected to require 600,000 barrels of oil per day by 2014-15 (see graph below). Queensland will have the opportunity to meet this domestic demand right in its own backyard and it will be produced from otherwise stranded coal. These fuels will be of immense strategic importance to Australia, reducing our reliance on imported fuels and saving many billions of dollars in foreign exchange and it should be considered a must for Governments to develop a coal based clean fuel industry to meet domestic demands."

"UCG has considerable benefits as it allows us to exploit the extensive coal seams that would otherwise be stranded. It has a very small surface footprint creating minimal environmental disturbance, and if coupled together with carbon capture and storage, produces less CO₂ than conventional fuels."

The company is an 84 percent subsidiary of the Queensland resources company Metallica Minerals Limited (ASX: MLM).

Note (*) *The potential coal quantity and quality is conceptual in nature due to there being insufficient information to define a coal resource in the exploration target area and it is uncertain if further exploration drilling will result in the determination of a coal resource.*



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For more information contact:

MetroCoal - Mike O'Brien CEO/ Theo Psaros Company Secretary 07 3891 9611

Competent Person Statement

The information in this statement that relates to in situ coal results and resources is based on information compiled by GeoConsult and reviewed by Warwick Smyth, who is a member of the Australasian Institute of Mining and Metallurgy (CP) Geology; and the Australian Institute of Geoscientists. Warwick Smyth is a qualified geologist (BSc Geol, Grad Dip AF&I, MAusIMM (CP), MGSA, MAIG), and has over 17 years experience which is relevant to the style of mineralisation, the type of deposit under consideration and to the activity which has been undertaken to qualify as a Competent Person as defined by the 2004 edition of the Australia Code for Reporting of Coal Resources. Warwick Smyth consents in writing to the inclusion in the statement of the matters based on the information in the form and context in which it appears.