ASX Release

26th March 2012

- **POSITIVE HEAVY MINERAL DRILL RESULTS FROM THE GIPPSLAND (VICTORIA) ZIRCON-RUTILE HMS PROJECT**
- **SIGNIFICANT HMS MINERALISATION CONFIRMED – BEST INTERCEPT - 51 METERS GRADING 3% THM**
- **GIPPSLAND HMS PROJECT DUE DILIGENCE FURTHER ADVANCED**

Australian resource development company, Metallica Minerals Limited (**ASX: MLM**), advises that it has received preliminary results from its first drilling program at the Gippsland Zircon-Rutile Heavy Mineral Sands (**HMS**) project (**Gippsland**) completed in December-January. Metallica, through its wholly owned subsidiary Oresome Australia, has an option to acquire Gippsland HMS project 100% from Rio Tinto Exploration Pty Limited (**Rio Tinto**).

Metallica has received Total Heavy Mineral (**THM**) sample analysis from 43 total completed drill holes which represent 18 drill sites at Glenaladale HMS deposit (see **Figure 1** below) and 2 drill sites at the Mossiface HMS deposit (~25km east of Glenaladale). Each of the combined 20 drill sites had at least one hole sampled every 1.5 meters, with up to 4 additional twin holes completed (see **Table 1** below) to gain sufficient sample quantity for laboratory analysis, metallurgical testwork and bulk sampling.

Hole ID	From (m)	To (m)	**Thickness (m)**	**THM (%)**	Slimes (%)		From (m)	To (m)	Thickness (m)	THM (%)	Slimes (%)
501	25.5	60.0	**34.5**	**1.95**	24.7	including	39.0	45.0	6.0	4.77	22.6
504	30.0	78.0	**48.0**	**2.90**	23.4	including	72.0	78.0	6.0	4.90	16.3
506	15.0	63.0	**48.0**	**2.30**	23.9	including	24.0	30.0	6.0	7.30	19.8
							58.5	63.0	4.5	4.30	23.4
507	13.5	63.0	**49.5**	**1.70**	25.1	including	21.0	25.5	4.5	6.11	19.5
508	7.5	72.0	**64.5**	**2.09**	24.7	including	15.0	19.5	4.5	5.31	21.1
							49.5	54.0	4.5	4.50	23.9
510	0.0	33.0	**33.0**	**3.02**	24.9	including	9.0	16.5	7.5	4.11	20.8
							18.0	22.5	4.5	5.62	27.2
513	18.0	69.0	**51.0**	**2.89**	25.8	including	22.5	27.0	4.5	4.74	24.6
							57.0	64.5	7.5	5.18	23.6
514	31.5	82.5	**51.0**	**3.09**	24.7	including	66.0	73.5	7.5	6.27	22.9
516	3.0	33.0	**30.0**	**2.35**	24.9	including	18.0	22.5	4.5	4.95	18.0
517	30.0	61.5	**31.5**	**1.86**	25.5	including	31.5	36.0	4.5	7.48	15.5

Table 1. Summary of significant THM drill intercepts from 18 drill sites (501-18) on the **Glenaladale deposit**

Preliminary metallurgical test work on slimes (<38 µm size) has been completed, confirming that typical flocculent addition and settling rates can be achieved using conventional technology and methods. Further metallurgical test work is currently being completed on bulk samples from the Glenaladale resource area to establish a process flow sheet and cost estimates.

Metallica's Managing Director, Andrew Gillies, said the heavy mineral analysis of the drill program samples were highly encouraging.

"The analysis is broadly in line with our expectations for the Glenaladale area of the Gippsland project and we are very confident in the potential for Glenaladale to become a large zircon and rutile HMS deposit," Mr Gillies said.

"It also enjoys considerable benefits of being located in a favourable setting, which we believe will make it a very competitive greenfields HMS project."

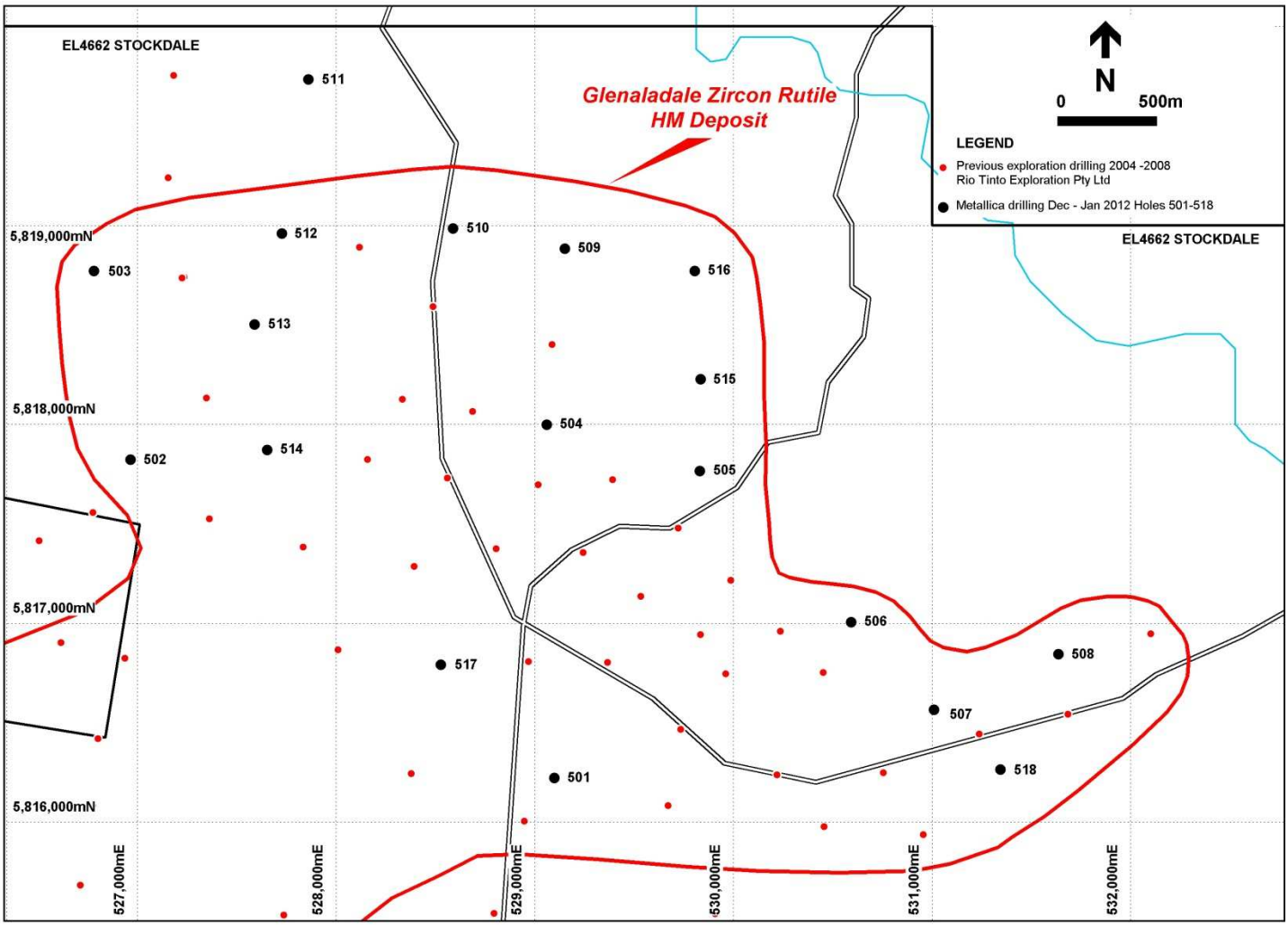

Figure 1. Glenaladale HMS Deposit

AMC Consultants Pty Ltd (AMC) is in the process of finalising the results of Metallica's drilling program. This includes additional HM sample analysis to determine the heavy mineral make-up of the HM suite (i.e. proportion % of zircon, rutile, ilmenite, and other heavy minerals) due in coming weeks. Both the HM analysis and mineralogical make-up is being undertaken by HMS specialist consultant R.J Robbins & Associates.

This HM analysis will be added to the previous drill database (owned by Rio Tinto) comprising over 200 drill holes. Then AMC will commence resource estimation and preparation of a report of due diligence findings to Rio Tinto, expected in April.

Exploration Target*

Metallica's (as previously stated) Exploration Target* for Gippsland is detailed below:

- **Stockdale – Glenaladale area**: 500 to 800Mt of mineralised sand ranging between 3-4% HMS, with the HMS containing approximately 14-18% Zircon, 5-7% Rutile and 35-55% Titanium Minerals
- **Mossiface area** (~55 km east): 25 to 35Mt of mineralised sand ranging between 2.5-3.0% HMS, with the HMS containing approximately 25-30% Zircon, 8-10% Rutile and 36-44% Titanium Minerals

***Exploration Target**

The potential quantity and grade is conceptual in nature, there has been insufficient exploration drilling and sampling density to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Completion of the first drilling program and scheduling for the due diligence findings to Rio Tinto follows a formal agreement in August last year where Metallica and Oresome signed a Right to Explore and Option to Purchase Agreement (the **Agreement**) with Rio Tinto. The Agreement gives Oresome the exclusive right to explore certain exploration licences which comprise Gippsland and the option to purchase a 100% interest in the exploration licences at any time during the term of the Agreement (for further information, refer ASX Release, 26 August 2011).

Key terms of the Agreement include:

- An exclusivity payment to Rio Tinto of A$40,000 (paid).
- Oresome has the exclusive right to explore the exploration licences comprising the Gippsland HMS Project for 12 months (the **Option Period**).
- Oresome is committed to a A$250,000 minimum expenditure on the tenements during the Option Period (already expended)
- Oresome has the option to purchase a 100% interest in the exploration licences at any time during the Option Period for an acquisition price of A$8.0 million.
- Rio Tinto retains a net smelter royalty of 2.5%.

The Gippsland HMS Project consists of nine granted exploration licences covering a total area of approximately 620 km^2, all held 100% by RioTinto (Refer Figure 2 below).

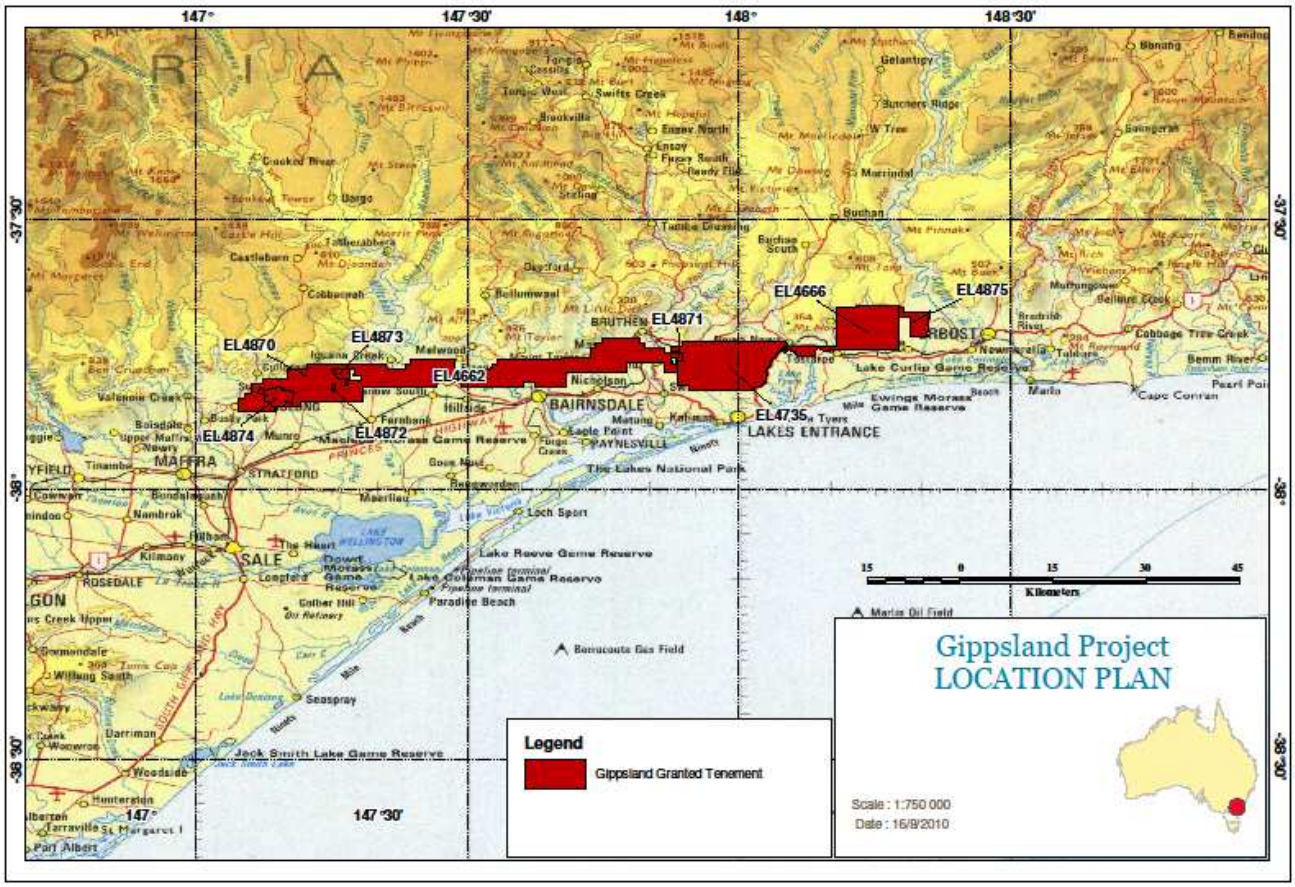

Figure 2: Gippsland tenement package

The tenements cover fossil strandlines of the Miocene-Pliocene shallow marine sand units of the Boisdale Formation which on-lap the Palaeozoic basement at the southern margin of the eastern Australian Highlands.

Historical HMS exploration has included surface sampling, significant drilling (12,697.5m of Reverse Circulation (RC) air core drilling for 232 holes) undertaken in 2004, 2005 and 2008, and eight drill bulk samples at various locations in the project area.

These samples were subjected to gravity separation and metallurgical test work at the Downer-EDI facility at Carrara on Queensland's Gold Coast. An understanding of the characteristics of the zircon, rutile and ilmenite components of the Gippsland HMS deposits was developed from this work.

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Competent Person
Technical information contained in this report has been compiled and/or supervised by Mr Andrew Gillies B.Sc (Geology) M.AusIMM (Managing Director of Metallica Minerals Limited) who is a competent person and member of the Australian Institute of Mining and Metallurgy (AusIMM). Mr Gillies has relevant experience to the mineralisation, exploration results and targets being reported on to qualify as a Competent Person as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Gillies consents to the inclusion of this information in the form and context in which it appears in this report.

Figure 3: Low impact aircore drilling in the central portion of the Glenaladale area (December 2011)