

# **Metallica Minerals Limited**

**ACN 076 696 092**

## **Interim Financial Report - 31 December 2011**

**Metallica Minerals Limited**  
**Corporate directory**  
**31 December 2011**

Directors	D K Barwick - Non-executive Chairman A L Gillies - Managing Director J K Haley - Executive Director/CFO B J Casson - Non-executive Director Wu Shu - Non-executive Director T Li - Alternate Director to Wu Shu
Chief executive officer	G Becker
Company secretary	J K Haley
Registered office	71 Lytton Road East Brisbane QLD 4169 Mail: GPO Box 122, Brisbane QLD 4001
Principal place of business	71 Lytton Road East Brisbane QLD 4169 T +61 7 3249 3000 F +61 7 3249 3041
Share register	Link Market Services Limited Level 19, 324 Queen Street Brisbane QLD 4001
Auditor	BDO Audit (QLD) Pty Ltd Level 18, 300 Queen Street Brisbane QLD 4001
Solicitors	HopgoodGanim Level 8, Waterfront Place, 1 Eagle Street Brisbane QLD 4001
Stock exchange listing	Metallica Minerals Limited shares are listed on the Australian Securities Exchange (ASX code: MLM)
Website address	<a href="http://www.metallicaminerals.com.au">www.metallicaminerals.com.au</a>

## **Metallica Minerals Limited**

### **Directors' report**

**31 December 2011**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Metallica Minerals Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2011.

### **Directors**

The following persons were directors of Metallica Minerals Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

David K Barwick  
Andrew L Gillies  
Wu Shu  
John K Haley  
Barry J Casson  
Tao Li (alternate to Wu Shu)

### **Principal activities**

During the half year the principal activities of the consolidated entity consisted of mineral exploration, evaluation and progressing development of its various mineral projects. There were no significant changes in the principal activities of the consolidated entity.

### **Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$8,156,343 (31 December 2010: \$3,172,306). Included in the loss for the half-year are associates equity accounted losses of \$3,551,383 (31 December 2010: \$1,170,638), impairment of financial assets of \$4,334,691 (31 December 2010: \$70,000) and losses of \$3,620,758 (31 December 2010: \$1,305,023) arising on the deconsolidation of subsidiaries.

During the period the consolidated entity:

a) On 18 July 2011 the parent entity issued 11,707,065 ordinary shares pursuant to a fully underwritten renounceable rights offer. Under the terms of the offer, shareholders were invited to subscribe for 1 new Metallica share for every 10 Metallica shares held plus 2 shares in Planet Metals Limited, for an aggregate issue price of 42 cents.

Metallica Minerals Limited held 76.17% of the issued shares in Planet Metals Limited immediately prior to the rights issue and following the rights issue holds 36.96% of the issued shares. Consequently Planet Metals Limited was deconsolidated with effect from 18 July 2011. The net loss after tax on deconsolidation of Planet Metals Limited is \$3,620,758.

b) Commenced a detailed in-fill and step out Reverse Circulation (RC) drilling program across high grade scandium mineralisation within the Lucknow deposit located at the southern end of the group's wholly-owned NORNICO "Tri-metal" nickel-cobalt, scandium project northwest of Townsville in Queensland.

c) Sold 15,706,038 ordinary shares in MetroCoal Limited for a gross value of \$7,779,252 (net of brokerage cost of \$7,576,752). The loss on sale of the shares in MetroCoal Limited amounted to \$1,532,749. At 31 December 2011 Metallica Minerals Limited holds 30.78% of the equity in MetroCoal Limited.

d) The consolidated entity's wholly owned subsidiary, Oresome Australia Pty Ltd, entered into a Right to Explore and Option to Purchase Agreement with Rio Tinto Exploration Pty Ltd. Pursuant to the agreement, Oresome will have the exclusive right to explore certain exploration licences which comprise the Gippsland Heavy Minerals Sands Project in Victoria's south east and option to purchase a 100% interest in the exploration licences at any time during the term of the agreement for a purchase price of \$8m.

**Metallica Minerals Limited**

**Directors' report**

**31 December 2011**

e) On 16 August 2011 Metallica Minerals Limited issued 3,400,000 fully paid ordinary shares and 2,000,000 options for the acquisition of the 20% interest in the Scandium Ore rights related to Kokomo and Lucknow resources. The fair value of shares issued was \$1,394,000 and the fair value of options recognised was \$358,649 for a total consideration of \$1,752,649.

f) During the half year the consolidated entity's equity holding in its associate, Cape Alumina Limited, fell below 20% and the consolidated entity no longer has board representation and significant influence. With effect from 12 December 2011, the investment in Cape Alumina Limited has been recognised as an available-for-sale financial asset. The consolidated entity realised a gain on loss of significant influence of \$4,330,143.

g) The company issued a total of 8,700,000 options during the half year (refer note 13).

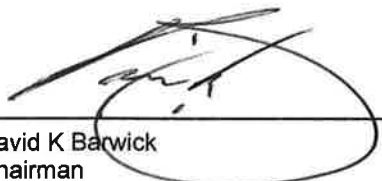
h) Investments in listed entities have been impaired by \$4,334,691 (refer note 4).

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors.

On behalf of the directors



David K Barwick  
Chairman



March 2012  
Brisbane

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

As lead auditor for the review of Metallica Minerals Limited for the half year ended 31 December 2011, 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 and the entities it controlled during the period.



**C R JENKINS**

**Director**

**BDO Audit (QLD) Pty Ltd**

Brisbane, 12 March 2012

**Metallica Minerals Limited**  
**Financial report**  
**For the half-year ended 31 December 2011**

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**General information**

The financial report covers Metallica Minerals Limited as a consolidated entity consisting of Metallica Minerals Limited and the entities it controlled at the end of, or during, the half-year. The financial report is presented in Australian dollars, which is Metallica Minerals Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Metallica Minerals Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

71 Lytton Road  
East Brisbane  
QLD 4169

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 22 March 2012. The directors have the power to amend and reissue the financial report.

**Metallica Minerals Limited**  
**Consolidated statement of comprehensive income**  
**For the half-year ended 31 December 2011**

	Note	Consolidated	
		31 December 2011	31 December 2010
		\$	\$
<b>Revenue from continuing operations</b>		453,536	265,582
Share of losses of associates accounted for using the equity method		(3,551,383)	(1,170,638)
Other income	3	4,656,046	912,214
<b>Expenses</b>			
Rental expenses		(111,312)	(108,932)
Employee benefits expense		(1,706,673)	(931,515)
Exploration and evaluation expenditure		(27,919)	(293,992)
Depreciation and amortisation expense	4	(49,434)	(57,351)
Loss on sale of shares in MetroCoal Limited		(1,532,749)	-
Legal fees		(122,673)	(23,669)
Impairment of financial assets	4	(4,334,691)	(70,000)
Airfares and conferences		(100,004)	(65,365)
Professional fees		(115,034)	(82,509)
Other expenses		(126,827)	(221,690)
Finance costs	4	(4,736)	(5,212)
Raw materials and consumables		(150,750)	(194,842)
Advertising and promotional costs		(77,697)	(43,424)
Listing fees and share register expenses		(160,677)	(52,502)
<b>Loss before income tax benefit from continuing operations</b>		(7,062,977)	(2,143,845)
Income tax benefit		2,527,392	276,562
Loss after income tax benefit from continuing operations		(4,535,585)	(1,867,283)
Loss after income tax benefit from discontinued operations	5	(3,620,758)	(1,305,023)
<b>Loss after income tax benefit for the half-year</b>		(8,156,343)	(3,172,306)
<b>Other comprehensive income</b>			
Gain on the revaluation of available-for-sale financial assets, net of tax		-	24,010
Other comprehensive income for the half-year, net of tax		-	24,010
<b>Total comprehensive income for the half-year</b>		(8,156,343)	(3,148,296)
Loss for the half-year is attributable to:			
Non-controlling interest		(76,699)	(597,865)
Owners of Metallica Minerals Limited		(8,079,644)	(2,574,441)
		(8,156,343)	(3,172,306)
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(76,699)	(597,865)
Owners of Metallica Minerals Limited		(8,079,644)	(2,550,431)
		(8,156,343)	(3,148,296)

*The above statement of comprehensive income should be read in conjunction with the accompanying notes*

**Metallica Minerals Limited**  
**Consolidated statement of comprehensive income**  
**For the half-year ended 31 December 2011**

	<b>Consolidated</b>	
	<b>31 December 2011</b>	<b>31 December 2010</b>
	<b>Cents</b>	<b>Cents</b>
<b>Earnings per share from continuing operations attributable to the owners of Metallica Minerals Limited</b>		
Basic earnings per share	(3.48)	(1.25)
Diluted earnings per share	(3.48)	(1.25)
<b>Earnings per share from discontinued operations attributable to the owners of Metallica Minerals Limited</b>		
Basic earnings per share	(2.78)	(1.28)
Diluted earnings per share	(2.78)	(1.28)
<b>Earnings per share for loss attributable to the owners of Metallica Minerals Limited</b>		
Basic earnings per share	(6.26)	(2.53)
Diluted earnings per share	(6.26)	(2.53)

*The above statement of comprehensive income should be read in conjunction with the accompanying notes*



**Metallica Minerals Limited**  
**Consolidated statement of financial position**  
**As at 31 December 2011**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2011</b>	<b>30 June 2011</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		5,259,115	4,934,549
Trade and other receivables		4,780,755	4,605,390
Inventories		121,488	78,527
Held to maturity investments		3,132,669	2,333,275
Other		15,000	-
<b>Total current assets</b>		<u>13,309,027</u>	<u>11,951,741</u>
<b>Non-current assets</b>			
Investments accounted for using the equity method	6	32,654,961	46,448,302
Available-for-sale financial assets	7	3,292,121	54,684
Property, plant and equipment		286,714	305,553
Exploration and evaluation		27,100,713	24,373,373
Other		221,353	205,151
<b>Total non-current assets</b>		<u>63,555,862</u>	<u>71,387,063</u>
<b>Total assets</b>		<u>76,864,889</u>	<u>83,338,804</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		998,576	368,056
Borrowings		-	5,455
Employee benefits		195,738	110,101
<b>Total current liabilities</b>		<u>1,194,314</u>	<u>483,612</u>
<b>Non-current liabilities</b>			
Deferred tax	8	13,922,358	16,449,750
Employee benefits		41,707	30,213
<b>Total non-current liabilities</b>		<u>13,964,065</u>	<u>16,479,963</u>
<b>Total liabilities</b>		<u>15,158,379</u>	<u>16,963,575</u>
<b>Net assets</b>		<u>61,706,510</u>	<u>66,375,229</u>
<b>Equity</b>			
Contributed equity	9	24,958,697	20,212,797
Reserves	10	7,425,806	6,607,978
Retained profits		29,322,007	37,383,618
Equity attributable to the owners of Metallica Minerals Limited		<u>61,706,510</u>	<u>64,204,393</u>
Non-controlling interest		-	2,170,836
<b>Total equity</b>		<u>61,706,510</u>	<u>66,375,229</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Metallica Minerals Limited**  
**Consolidated statement of changes in equity**  
**For the half-year ended 31 December 2011**

	Contributed equity \$	Reserves \$	Retained profits \$	Non- controlling interests \$	Total equity \$
<b>Consolidated</b>					
Balance at 1 July 2010	20,294,506	12,811,087	5,284,804	6,003,200	44,393,597
Other comprehensive income for the half-year, net of tax	-	24,010	-	-	24,010
Loss after income tax benefit for the half-year	-	-	(2,574,441)	(597,865)	(3,172,306)
Total comprehensive income for the half-year	-	24,010	(2,574,441)	(597,865)	(3,148,296)
<i>Transactions with owners in their capacity as owners:</i>					
Share based payments	-	407,739	-	-	407,739
Change in proportionate interest of subsidiary	-	3,553,101	-	6,485,729	10,038,830
Balance at 31 December 2010	<u>20,294,506</u>	<u>16,795,937</u>	<u>2,710,363</u>	<u>11,891,064</u>	<u>51,691,870</u>
	Contributed equity \$	Reserves \$	Retained profits \$	Non- controlling interests \$	Total equity \$
<b>Consolidated</b>					
Balance at 1 July 2011	20,212,797	6,607,978	37,383,618	2,170,836	66,375,229
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Loss after income tax benefit for the half-year	-	-	(8,079,644)	(76,699)	(8,156,343)
Total comprehensive income for the half-year	-	-	(8,079,644)	(76,699)	(8,156,343)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	835,861	-	-	835,861
Rights issue net of transaction costs	3,286,900	-	-	-	3,286,900
Employee options and performance rights exercised	65,000	-	-	-	65,000
Shares issued to acquire 20% interest in Scandium Ore	1,394,000	-	-	-	1,394,000
Transfer to/from reserves	-	(18,033)	18,033	-	-
Deconsolidation of Planet Metals Limited	-	-	-	(2,094,137)	(2,094,137)
Balance at 31 December 2011	<u>24,958,697</u>	<u>7,425,806</u>	<u>29,322,007</u>	<u>-</u>	<u>61,706,510</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Metallica Minerals Limited**  
**Consolidated statement of cash flows**  
**For the half-year ended 31 December 2011**

Note	Consolidated	
	31 December 2011	31 December 2010
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	108,025	615,555
Payments to suppliers and employees (inclusive of GST)	(837,167)	(3,746,822)
Interest received	234,279	551,580
	<u>          </u>	<u>          </u>
Net cash used in operating activities	<u>(494,863)</u>	<u>(2,579,687)</u>
<b>Cash flows from investing activities</b>		
Payments for investments	(100,597)	(6,692,722)
Payments for property, plant and equipment	(34,961)	-
Payments for exploration and evaluation	(3,126,895)	(2,610,162)
Payments for security deposits	(16,201)	(99,610)
Loans repaid by/(advanced to) associate	1,000,000	(333,542)
Net cash disposed of from deconsolidation of Planet Metals Ltd	(3,893,514)	-
Proceeds from sale of shares in Planet Metals Ltd	1,404,895	-
Payments for term deposit	(799,394)	-
Proceeds from sale of investments	3,076,753	1,000,000
	<u>          </u>	<u>          </u>
Net cash used in investing activities	<u>(2,489,914)</u>	<u>(8,736,036)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	9 3,540,018	-
Proceeds from issue of shares to non-controlling interests	-	10,500,000
Share issue transaction costs	(225,220)	(669,169)
Repayment of borrowings	(5,455)	(10,909)
	<u>          </u>	<u>          </u>
Net cash from financing activities	<u>3,309,343</u>	<u>9,819,922</u>
Net increase/(decrease) in cash and cash equivalents	324,566	(1,495,801)
Cash and cash equivalents at the beginning of the financial half-year	4,934,549	7,120,294
	<u>          </u>	<u>          </u>
Cash and cash equivalents at the end of the financial half-year	<u>5,259,115</u>	<u>5,624,493</u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*

**Metallica Minerals Limited**  
**Notes to the financial statements**  
**31 December 2011**

**Note 1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2011 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period.

**New, revised or amending Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity's accounting policies and has no effect on the amounts reported for the current or prior periods.

**Material uncertainty regarding 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. The ability of the consolidated entity to maintain continuity of normal business activities and to pay its debts as and when they fall due, is dependent on the ability of the consolidated entity to successfully raise additional capital and/or successful exploration and subsequent exploitation of areas of interest through sale or development.

**Note 2. Operating segments**

*Identification of reportable operating segments*

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

1. NORNIC, a nickel development and exploration project in Queensland;
2. Bauxite, through an investment in Cape Alumina Limited;
3. Coal Related, Metallica Minerals Limited investment in MetroCoal Limited;
4. Copper and gold through an investment in Planet Metals Limited; and
5. Other Metals & Minerals, reflecting the balance of the consolidated entity's assets over a variety of exploration targets.

For the half-year ended 31 December 2011 the bauxite segment has been separately reported as it exceeds the quantitative thresholds of accounting standard AASB 8. For the year ended 30 June 2011 the information relating to this segment is included in the 'Other' category as it did not exceed the quantitative thresholds.

All operating segments are contained to Australia and the Board has determined that it is not necessary to report separately in relation to geographical segments.

**Metallica Minerals Limited**  
**Notes to the financial statements**  
**31 December 2011**

**Note 2. Operating segments (continued)**

*Intersegment transactions*

Inter-segment transactions are carried out at arm's length and eliminated on consolidation.

*Operating segment information*

<b>31 December 2011</b>	NORNICO \$	Bauxite \$	Coal related \$	Copper and Gold \$	Other \$	Intersegment eliminations/ unallocated \$	Consolidated \$
<b>Revenue</b>							
Sales to external customers	-	-	-	-	235,074	-	235,074
Total sales revenue	-	-	-	-	235,074	-	235,074
Other income	-	4,330,143	-	-	544,365	-	4,874,508
<b>Total revenue</b>	-	4,330,143	-	-	779,439	-	5,109,582
<b>Segment result</b>							
Depreciation and amortisation	-	4,330,143	-	-	779,439	-	5,109,582
Loss on sale of discontinued operation	-	-	-	(3,620,758)	-	-	(3,620,758)
Finance costs	-	-	-	-	(4,736)	-	(4,736)
Loss on sale of shares in MetroCoal Limited	-	-	(1,532,749)	-	-	-	(1,532,749)
Impairment of financial assets	-	(1,074,705)	(3,214,400)	-	(45,586)	-	(4,334,691)
Other expenses	(12,441)	-	-	-	(980,452)	-	(992,893)
Employee benefits expense	(12,875)	-	-	-	(1,693,798)	-	(1,706,673)
Share of loss of associates	-	-	(3,116,744)	(309,146)	(125,493)	-	(3,551,383)
<b>Profit/(loss) before income tax benefit</b>	(25,316)	3,255,438	(7,863,893)	(3,929,904)	(2,120,060)	-	(10,683,735)
<b>Loss after income tax benefit</b>							2,527,392
							<u>(8,156,343)</u>
<b>Assets</b>							
Segment assets	29,029,693	3,255,438	30,861,102	1,677,120	12,177,985	(136,449)	76,864,889
<b>Total assets</b>							<u>76,864,889</u>

**Metallica Minerals  
Limited**  
**Notes to the financial statements**  
**31 December 2011**

**Note 2. Operating segments (continued)**

<b>31 December 2010</b>	<b>NORNICO</b>	<b>Bauxite</b>	<b>Coal related</b>	<b>Copper and Gold</b>	<b>Other</b>	<b>Intersegment eliminations/ unallocated</b>	<b>Consolidated</b>
	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>							
Sales to external customers	-	-	-	-	98,585	-	98,585
Intersegment sales	-	-	-	-	-	85,281	85,281
<b>Total sales revenue</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,585</u>	<u>85,281</u>	<u>183,866</u>
Other income	171	-	-	-	993,759	-	993,930
<b>Total revenue</b>	<u>171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,092,344</u>	<u>85,281</u>	<u>1,177,796</u>
<b>Segment result</b>	171	-	-	-	1,092,344	85,281	1,177,796
Depreciation and amortisation	(43,163)	-	-	-	(14,188)	-	(57,351)
Impairment of assets	-	-	-	-	(70,000)	-	(70,000)
Loss on sale of discontinued operation	-	-	(1,383,443)	78,420	-	-	(1,305,023)
Other expenses	-	-	-	-	-	(1,092,137)	(1,092,137)
Employee benefits expense	(605,615)	-	-	-	(325,900)	-	(931,515)
Share of loss of associates	-	(1,023,834)	-	-	(146,804)	-	(1,170,638)
<b>Profit/(loss) before income tax benefit</b>	<u>(648,607)</u>	<u>(1,023,834)</u>	<u>(1,383,443)</u>	<u>78,420</u>	<u>535,452</u>	<u>(1,006,856)</u>	<u>(3,448,868)</u>
Income tax benefit							276,562
<b>Loss after income tax benefit</b>							<u>(3,172,306)</u>
<b>Assets</b>							
Segment assets	17,754,291	-	19,179,544	6,453,476	19,607,134	(7,157,283)	55,837,162
<b>Total assets</b>							<u>55,837,162</u>

**Note 3. Other income**

	<b>Consolidated</b>	
	<b>31 December 2011</b>	<b>31 December 2010</b>
	\$	\$
Net gain on disposal of investments	-	826,933
Other income	325,903	85,281
Gain on loss of significant influence in Cape Alumina Limited*	4,330,143	-
Other income	<u>4,656,046</u>	<u>912,214</u>

\* During the half year the consolidated entity's equity holding in its associate, Cape Alumina Limited, fell below 20% and the consolidated entity no longer has board representation and significant influence. With effect from 12 December 2011, the investment in Cape Alumina Limited has been recognised as an available-for-sale financial asset measured at fair value. The consolidated entity realised a gain on loss of significant influence of \$4,330,143. This reflects the full market value as at that date because the equity accounted investment value of Cape Alumina Limited was nil.

**Metallica Minerals Limited**  
**Notes to the financial statements**  
**31 December 2011**

**Note 4. Expenses**

	<b>Consolidated</b>	<b>31 December</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>

Loss before income tax includes the following specific expenses:

*Impairment of financial assets*

Impairment of investment in associate - MetroCoal Limited	3,214,400	-
Impairment of listed investment - Metals Finance Limited	18,000	-
Impairment of listed investment - Cape Alumina Limited	1,074,705	-
Impairment of unlisted investments	27,586	70,000
<b>Total impairment of financial assets</b>	<b>4,334,691</b>	<b>70,000</b>

The impairments recognised above were to adjust the carrying values of investments in associates after equity accounting (where those balances are in excess of market value) or available-for-sale investments to their market value as at balance date. All impairments are considered significant to each investment.

**Note 5. Discontinued operations**

*Description*

**Planet Metals Limited**

On 18 July 2011 the group's interest in the ordinary shares of Planet Metals Limited decreased to 36.96% following a rights issue by Metallica Minerals Limited. Consequently the consolidated statement of comprehensive income incorporates the group's share of Planet Metals Limited's financial performance to 18 July 2011 being the date on which Planet Metals Limited was deconsolidated. Metallica Minerals Limited has treated the loss of control as a disposal of a subsidiary in accordance with AASB 127 *Consolidated and Separate Financial Statements*. In accordance with AASB 127, the investment retained in Planet Metals Limited has been measured at its fair value at the date when control was lost.

**MetroCoal Limited**

During the financial year ended 30 June 2011, the group's interest in the ordinary shares of MetroCoal Limited decreased to 45.27% following a share placement by MetroCoal Limited. The directors concluded that at 31 May 2011 the group had lost control of MetroCoal Limited and treated the loss of control as a disposal of a subsidiary in accordance with AASB 127 *Consolidated and Separate Financial Statements*. Accordingly, the financial performance of MetroCoal Limited for the half year ended 31 December 2010 has been disclosed as discontinued operations.

**Metallica Minerals Limited**  
**Notes to the financial statements**  
**31 December 2011**

**Note 5. Discontinued operations (continued)**

*Financial performance information*

	<b>Consolidated</b>	
	<b>31 December 2011</b>	<b>31 December 2010</b>
	<b>\$</b>	<b>\$</b>
Revenue - Planet Metals Limited	-	486,707
Revenue - MetroCoal Limited	-	365,876
Total revenue	<u>-</u>	<u>852,583</u>
Expenses - Planet Metals Limited	(321,726)	(408,287)
Expenses - MetroCoal Limited	-	(1,749,319)
Total expenses	<u>(321,726)</u>	<u>(2,157,606)</u>
Loss before income tax expense	(321,726)	(1,305,023)
Income tax expense	-	-
Loss after income tax expense	<u>(321,726)</u>	<u>(1,305,023)</u>
Loss on sale before income tax - Planet Metals Limited	(3,299,032)	-
Income tax expense	-	-
Loss on sale after income tax expense	<u>(3,299,032)</u>	<u>-</u>
Loss after income tax benefit from discontinued operations	<u>(3,620,758)</u>	<u>(1,305,023)</u>
<i>Carrying amounts of assets and liabilities of Planet Metals Limited at 18 July 2011:</i>		
	<b>\$</b>	
Cash and cash equivalents	3,893,514	
Trade and other receivables	3,185,108	
Property, plant and equipment	4,366	
Exploration and evaluation	1,793,657	
Total assets	<u>8,876,645</u>	
Trade and other payables	92,315	
Total liabilities	<u>92,315</u>	
Net assets	<u>8,784,330</u>	



**Metallica Minerals Limited**  
**Notes to the financial statements**  
**31 December 2011**

**Note 5. Discontinued operations (continued)**

*Details of the sale*

	\$
Total sale consideration	1,404,848
Carrying amount of net assets sold	(8,784,330)
Non-controlling interest	2,094,184
Fair value of investment retained	2,069,325
Disposal costs	<u>(83,059)</u>
Loss on sale before income tax	(3,299,032)
Income tax expense	<u>-</u>
Loss on sale after income tax	<u>(3,299,032)</u>

**Note 6. Non-current assets - investments accounted for using the equity method**

	Consolidated	
	31 December 2011	30 June 2011
	\$	\$
Investment in Orion Metals Ltd	116,739	146,553
Investment in MetroCoal Ltd*	30,861,102	46,301,749
Investment in Planet Metals Ltd**	<u>1,677,120</u>	<u>-</u>
	<u>32,654,961</u>	<u>46,448,302</u>

\* During the half year Metallica Minerals Limited sold 15,706,038 ordinary shares in MetroCoal Limited. Additionally, the investment in MetroCoal Limited was impaired by \$3,214,400 at 31 December 2011 and the equity accounted loss for the half year was \$3,116,744.

\*\* On 18 July 2011 the group's interest in the ordinary shares of Planet Metals Limited decreased to 36.96% following a rights issue by Metallica Minerals Limited. As a consequence Planet Metals Limited was deconsolidated with effect from 18 July 2011 and recognised as an associate.

**Metallica Minerals Limited**  
**Notes to the financial statements**  
**31 December 2011**

**Note 7. Non-current assets - available-for-sale financial assets**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2011</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Investment in Metals Finance Limited	36,000	54,000
Investment in Cape Alumina Limited*	3,255,437	-
Investment in unlisted entities	684	684
	<u>3,292,121</u>	<u>54,684</u>

\* During the half year the consolidated entity's equity holding in its associate, Cape Alumina Limited, fell below 20% and the consolidated entity no longer has board representation and significant influence. With effect from 12 December 2011, the investment in Cape Alumina Limited has been recognised as an available-for-sale financial asset at fair value. The investment in Cape Alumina Limited was impaired by \$1,074,705 at 31 December 2011.

**Note 8. Non-current liabilities - deferred tax**

The deferred tax liability primarily represents the capital gains tax that would be payable should the group dispose of its associates and available-for-sale assets at their carrying values.

The reduction in the deferred tax liability is largely attributable to the sale of shares in MetroCoal Limited and the impairment of the consolidated entity's investment in MetroCoal Limited during the half-year.

**Note 9. Equity - contributed**

	<b>Consolidated</b>		<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>
	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>132,357,710</u>	<u>117,070,645</u>	<u>24,958,697</u>	<u>20,212,797</u>

**Metallica Minerals Limited**  
**Notes to the financial statements**  
**31 December 2011**

**Note 9. Equity - contributed (continued)**

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>No of shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 July 2011	117,070,645		20,212,797
Rights issue	18 July 2011	11,707,065	\$0.30	3,512,120
Employee options exercised	29 July 2011	80,000	\$0.35	28,000
Acquisition of 20% interest in Scandium Ore rights	16 August 2011	3,400,000	\$0.41	1,394,000
Performance rights exercised	29 September 2011	100,000	\$0.37	37,000
Share issue costs				<u>(225,220)</u>
Balance	31 December 2011	<u>132,357,710</u>		<u>24,958,697</u>

*Rights Issue*

On 18 July 2011 Metallica Minerals Limited issued 11,707,065 ordinary shares pursuant to a fully underwritten renounceable rights offer. In terms of the offer, shareholders were invited to subscribe for 1 new Metallica share for every 10 Metallica shares held plus 2 shares in Planet Metals Limited, for an aggregate issue price of 42 cents. The issue price attributed to the Metallica share was 30 cents and the balance of 12 cents attributed to the 2 Planet Metals shares.

*Scandium Ore Rights*

On 16 August 2011, Metallica Minerals Limited issued 3,400,000 shares and 2,000,000 options to Straits Resources Limited for a 20% interest in some Scandium Ore Rights. As no fair value was able to be reliably determined for the rights acquired the fair value of the shares (\$1,394,000) and options (\$358,649) was adopted for a total consideration of \$1,752,649.

**Note 10. Equity - reserves**

	<b>Consolidated</b>	
	<b>31 December 2011</b>	<b>30 June 2011</b>
	<b>\$</b>	<b>\$</b>
Available-for-sale reserve	205,661	205,661
Share-based payments reserve	<u>7,220,145</u>	<u>6,402,317</u>
	<u>7,425,806</u>	<u>6,607,978</u>

**Note 11. Contingent liabilities**

There have been no changes to the contingent liabilities noted in the 2011 annual financial report.

**Note 12. Events occurring after the reporting date**

No matter or circumstance has arisen since 31 December 2011 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Metallica Minerals Limited**  
**Notes to the financial**  
**statements 31 December 2011**

**Note 13. Share-based payments**

**Employee Share Option Plan (ESOP)**

At the 2011 annual general meeting, shareholder approval was obtained for potential future issues of securities under the ESOP as an exception to Listing Rule 7.1. The ESOP was established to assist in the retention and motivation of employees providing them with the opportunity to acquire shares in the company. The persons who are eligible to participate in the ESOP are employees of the Company or their nominee who have been selected by the Board to participate in the ESOP. The options will be exercisable at a price to be determined in the absolute discretion of the Board.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

**Performance Rights Plan (PRP)**

The establishment of the Performance Rights Plan (PRP) was approved by shareholders at the 2011 annual general meeting. The PRP is designed to:

- (a) align the interests of eligible employees with shareholders through the allocation of equity based incentives which are linked to the performance of the Company;
- (b) attract, motivate and retain quality employees; and
- (c) preserve cash reserves.

The performance rights have a nil exercise price and the performance hurdles applicable to any performance period (including how they will be measured) is set out in the invitation to the eligible employees. On vesting, one performance right is exercisable into one share in the Company.

During the half year the following share-based options and performance rights were granted:

- (a) On 3 August 2011, 2,000,000 options were granted in connection with the acquisition of a 20% interest in Scandium Ore Rights related to the Kokomo and Lucknow resources. The first tranche of 1,000,000 options vested on 3 August 2011, are exercisable at 50 cents and expire on 3 August 2013. The second tranche of 1,000,000 options, vest on 3 February 2013, are exercisable at 70 cents and expire on 3 August 2016. The fair value of options granted was \$358,648.
- (b) During the half-year a total of 600,000 options were granted to employees. The first tranche of 200,000 options were granted on 30 August 2011, vest on 30 August 2012 and expire on 30 August 2014. The second tranche of 200,000 options were granted on 12 September 2011, vest on 12 September 2012 and expire on 12 September 2014. The third tranche of 200,000 options were granted on 3 October 2011, vest on 3 October 2012 and expire on 3 October 2014. All options are exercisable at 40 cents. The fair value of options granted was \$30,000.
- (c) On 27 September 2011, 1,000,000 options were granted to a third party for services rendered in terms of a consultancy agreement. All options vested on grant date. The first tranche of 400,000 options, are exercisable at 46 cents and expire on 31 August 2012. The second tranche of 600,000 options, are exercisable at 52 cents and expire on 28 February 2013. The fair value of the options granted was \$62,800 and represents the market price for the services rendered.
- (d) On 18 November 2011, a total of 5,000,000 options were granted to Directors. The options are intended to provide each Director with reward and incentive for future services that the respective Director will provide to further progress the Company. The following Directors (or their respective nominees) were granted 1,000,000 options each: Mr D K Barwick, Mr A L Gillies, Mr B J Casson, Mr J K Haley and Mr T Li. The options vested on grant date, are exercisable at 38 cents and expire on 18 November 2013. The fair value of options granted was \$649,653.
- (e) On 29 September 2011 100,000 performance rights valued at \$37,000 were granted to an executive of the Company. The rights vested on the grant date and were exercised during the half year. The rights were valued at 37 cents per right. There are no outstanding performance rights at 31 December 2011.

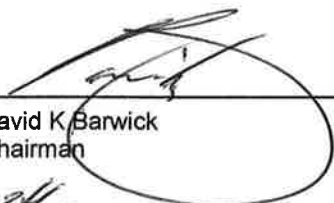
**Metallica Minerals Limited**  
**Directors' declaration**

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.


Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



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David K. Barwick  
Chairman

 March 2012  
Brisbane

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Metallica Minerals Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Metallica Minerals Limited, which comprises the statement of financial position as at 31 December 2011, 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 internal 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 half year 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 2011 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 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*, which has been given to the directors of Metallica Minerals Limited, 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 2011 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*.

**BDO Audit (QLD) Pty Ltd**

**C R JENKINS**

Director

Brisbane: 12 March 2012