



ASX Release

10th January 2012

- **FIRST DRILLING PROGRAM SUCCESSFULLY COMPLETED ON GIPPSLAND ZIRCON-RUTILE HMS PROJECT (VICTORIA)**
- **MAIDEN JORC RESOURCE ESTIMATE EXPECTED MARCH 2012**
- **ORESOME AUSTRALIA'S DUE DILIGENCE WELL ADVANCED ON ACQUIRING THE PROJECT 100% FROM RIO TINTO**

Australian resource development company, Metallica Minerals Limited (**ASX: MLM**), advises that it has completed its first drilling program on two heavy mineral sands (HMS) projects that MLM retains an option to acquire from Rio Tinto Exploration Pty Limited (Rio Tinto) in the Gippsland area of southeast Victoria, and expects to announce a maiden resource estimate by March.

The resource estimate timing parallels strong opening prices for the New Year in excess of US\$2,000 a tonne for two key HMS elements, zircon and rutile, and strong forward global demand.

The new work was completed by Metallica's wholly-owned subsidiary, Oresome Australia Pty Ltd (**Oresome**), which as part of its acquisition due diligence over the Gippsland tenements, completed a 43 hole drilling schedule for a total of 2,290 metres.

The schedule was designed to both test data supplied by Rio Tinto, and Oresome's own Exploration Targets* over the two well defined and significant areas of heavy mineral sand concentration previously identified.

These comprise the **Stockdale-Glenaladale area**, 35km west of Bairnsdale, and the **Mossiface area**, 20km northeast of Bairnsdale.



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



Oresome has engaged R.J. Robbins and Associates to complete assay and process evaluation of the Gippsland heavy mineral sand samples, and AMC Consultants Pty Ltd to prepare the resource statement.

Metallica's Managing Director, Mr Andrew Gillies said, "Given the expected large extent, size and grade of the Gippsland HMS mineralisation and the current strong zircon and rutile prices - both currently over US\$2,000 per tonne - along with the excellent outlook on the demand/supply fundamentals for these commodities, we are excited about this project's potential. This will be further defined in March as the maiden resource estimate we are targeting will then be based on data from more than 200 drill holes."

Oresome's General Manager, Mr Stewart Hagan, said, "Representative sand samples from Glenaladale and Mossiface would be delivered to Brisbane for analysis by mid January in order to prepare a maiden HMS resource to JORC standard in March 2012".

Oresome's Exploration Targets* for the two defined areas are:

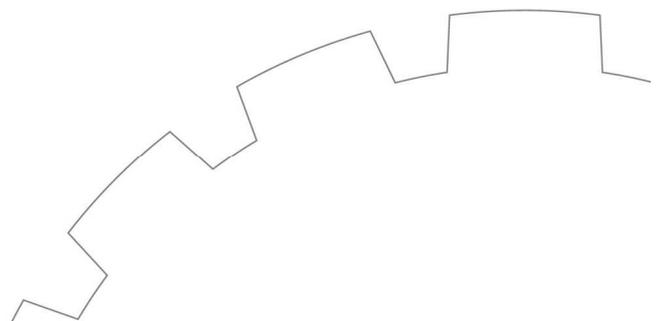
- **Stockdale – Glenaladale area:** 500 to 800Mt of mineralised sand ranging between 3-4% HMS, with the HMS containing approximately 14-18% Zircon, 5-7% Rutile and 35-55% Titanium Minerals
- **Mossiface area** (~55 km east): 25 to 35Mt of mineralised sand ranging between 2.5-3.0% HMS, with the HMS containing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

Completion of the first drilling program and scheduling for the maiden resource estimate follows a transaction 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 the Gippsland Heavy Mineral Sands (HMS) project 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:

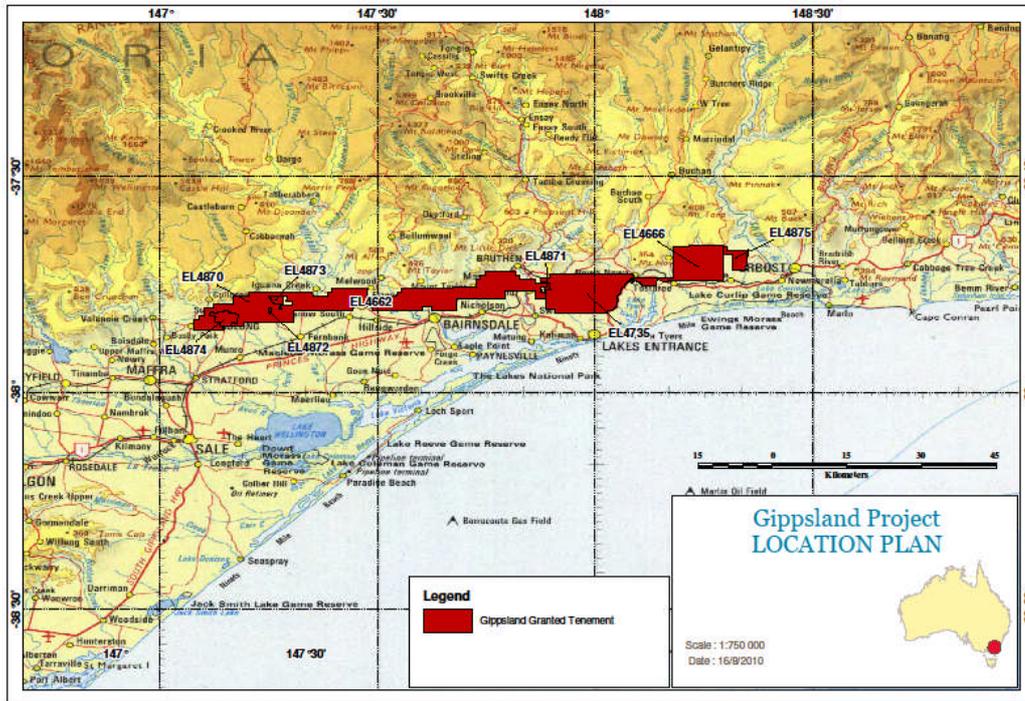
- An exclusivity payment to Rio Tinto of A\$40,000 (paid).
- Oresome has the exclusive right to explore the exploration licences comprising the Gippsland HMS Project for 12 months (the Option Period).
- Oresome is committed to a A\$250,000 minimum expenditure on the tenements during the Option Period.
- 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 km², all held 100% by RioTinto (Refer figure below).





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.

For further information, please contact:

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***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.

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.