



Quarterly Report

to 31 Dec 2010



ASX Release

31 January 2011

Metallica Minerals Ltd

A Queensland focused multi-commodity resource development company, with major project interests in Nickel-Cobalt, Scandium, Zircon-Rutile and Limestone, plus strategic investments in Coal, Bauxite, Tungsten, Gold-Copper & Rare Earth Elements.

ASX:MLM

Issued Capital (31/12/2010):

117,331,202 Shares issued

6,000,000 Unlisted Employee & Director Options

~ 2,372 shareholders

Top 20 shareholders: Hold 58.8%

Directors:

David K. Barwick - Non Exec Chairman
Andrew Gillies - Managing Director
John Haley - Exec Director & Comp. Sec.
Barry Casson - Non Exec Director
Shu Wu - Non Exec Director
(Tao Li - Alternate Non Exec Director)

Largest Shareholders:

Jien Mining Pty Ltd 18.94%
Golden Breed Pty Ltd 7.47%
RCF (Funds III LP & IV LP) 6.14%

Cash Balance:

As at 31 December 2010,
MLM's cash balance was
approximately \$5.2M.

Highlights

NORNICO Ni-Co-Sc "Tri-Metal" Project

- ▶ Completion of Phase 2 drilling program at former Greenvale Nickel Mine comprising 362 drill holes.
- ▶ Drilling boosts Greenvale Ni-Co resource by 87% to 8Mt @ 1.04% Ni, 0.08% Co (1.2% NiEq) containing 83,000 t Ni and 6,400 t Co, with approximately 90% in the Measured and Indicated category (see Tables 1 & 2 page 8).
- ▶ The updated (using new bulk density data) Lucknow Ni-Co resource is 2.42Mt @ 0.57% Ni, 0.20% Co & 97g/t Scandium (Sc).
- ▶ Updated (using new bulk density data) Lucknow Scandium Resource to 6.24Mt @ 169g/t Sc containing 1.05 million kg of Sc, including a higher grade zone of 4.15Mt @ 205g/t Sc.
- ▶ The enhanced resource estimates for Greenvale and Lucknow are expected to be sufficient to support a 10 year, 180,000 to 220,000tpa processing operation (NORNICO Stage 1) on the old Greenvale Nickel Mine site and which will treat high grade Ni-Co & Sc ore.

LUCKY BREAK (MLM 50% : MFC 50% JV)

- ▶ Metals Finance Ltd (MFC) progressing the nickel project toward implementation, with commissioning (subject to their financing) now targeted to commence early Q2, 2012.

WEIPA ZIRCON-RUTILE HMS PROJECT

- ▶ Urquhart Point zircon-rutile project progresses - Environmental Impact Statement (EIS), bankable feasibility and metallurgical development test work will start first quarter 2011.
- ▶ A representative 6 tonne sample from over 30 sample points has been delivered to Robbins Metallurgical (Ballina) to begin metallurgical test work in January.
- ▶ The BFS to be carried out by Calder Maloney Engineering during 2011.

METROCOAL (ASX:MTE) – MLM 45%

- ▶ Metrocoal's total thermal coal resource base in

Surat Basin expanded to 709Mt incorporating 100% owned Bundi, Norwood and Juandah areas (see Table 5, page 12).

- ▶ Surat Basin Rail receives conditional Queensland Government approval of its Environmental Impact Statement (EIS).
- ▶ \$30M China Coal/SinoCoal-MetroCoal Joint Venture funding confirmed and transfer of 51% Columboola project EPC 1165 underway. Drilling commenced in December (currently paused due to recent flooding) for a planned 30 holes on a 3.6km grid.
- ▶ MetroCoal commits bank guarantee funding for Wiggins Island Coal Export Terminal (WICET) for port capacity of 12Mt coal pa.
- ▶ MetroCoal completed an oversubscribed placement raising \$10.5M with cash balance \$15.5M as at 31 December.

PLANET METALS LIMITED (ASX:PMQ) - MLM 76%

- ▶ In December 2010, Planet Metals Ltd entered into an Option to Purchase Agreement with Hazelwood Resources Ltd (Hazelwood) (ASX Code : HAZ) to sell Planet's 100% owned subsidiary, Wolfram Camp Mining Pty Ltd for a total sale price of \$8 million, comprising \$5M cash and \$3M worth of Hazelwood shares. HAZ has until 10 February 2011 to carry out due diligence and exercise their option to purchase.
- ▶ In December 2010, a farm-in agreement was signed with Drummond Gold Limited (ASX Code: DGO), whereby Drummond can earn up to 75% of the Mount Cannindah copper-gold project by spending \$6.75M over a period of 4 years 9 months. Drummond is required to spend a minimum of \$750,000 in the first 9 months.

ORION METALS (ASX:ORM) – MLM 16%

- ▶ 30 hole shallow drilling confirms high levels of Rare Earth Elements (REE), gold and uranium mineralisation at the recently discovered Killi Killi project in Tanami desert (WA).

Highlights continued

- ▶ REE and gold mineralisation (up to 6m @ 5.85g/t Au) occurs in flat dipping conglomerate/sandstone and in underlying basement rocks.

CAPE ALUMINA (ASX:CBX) – MLM 30%

- ▶ Work focused on the Bauxite Hills high grade bauxite discovery, 60km NW of Pisolite Hills bauxite project (on hold due to Wild Rivers legislation). Investigations have commenced on initial project definition for Bauxite

Hills and a concept study by engineering consultants SNC-Lavalin is expected to be completed early 2011.

SAFETY & ENVIRONMENT

- ▶ During the December Quarter, there were no reportable lost time injuries or safety incidents.
- ▶ Metallica remained fully compliant with all its environmental obligations during the

period. The Company takes environmental responsibility and land care seriously and progressively rehabilitates areas of disturbance from its exploration activities.

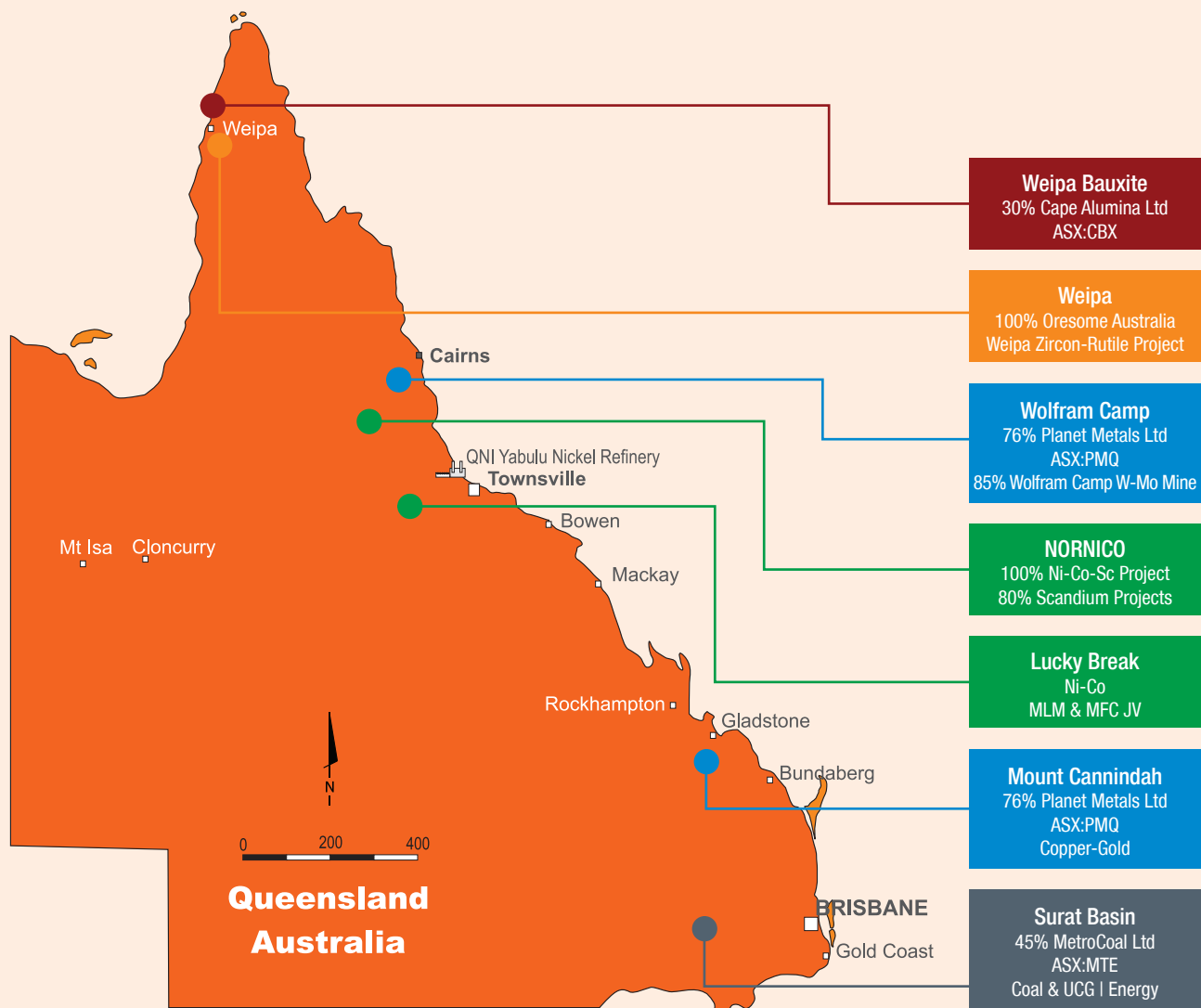


Figure 1 : Queensland project locations of Metallica's direct major interests in nickel-cobalt, scandium, zircon-rutile, limestone plus strategic interests in coal, bauxite, tungsten-moly, copper-gold

Corporate and Financial

CORPORATE

Metallica currently has combined cash and ASX listed investments of around \$43.4M or approximately 41 cents per share, (see Table below).

Appointment of Brisbane-based experienced finance and resources executive, Mr Barry Casson, as an independent non-executive Director of the Company effective from 1 December 2010. Mr. Casson will also act as Independent Chairman of the Company's Audit and Risk Committee. Mr Casson has been appointed following Mr Peter Nicholson's decision at the Company's recent Annual General Meeting not to stand for re-election.

Mr Casson has more than 40 years experience in accounting, finance and general management initially, then with a number of listed and unlisted companies, primarily in the resources industry.

On 15th October Orion Metals advised it had agreed to place 8M shares to Institutional and Sophisticated investors at an issue price of 25 cents per share to raise \$2M. Metallica sold 4M Orion shares for \$1M and exercised its entire 1.4M Orion Options at 12 cents. Metallica's shareholding is now 11.87M shares or 16.4%.

MetroCoal (ASX:MTE) placed 35M shares at 30 cents to raise \$10.5M. As at 31 December, MTE's cash balance was approximately \$15.5M.

Table 1: Metallica's ASX Listed Investments

ASX Code (shares on issue)	Commodity	Company	MLM%	No. Shares MLM hold	Share Price (as at 28/1/2011)	MLM's Market Value (\$M)
MTE (176,683,663)	Coal	MetroCoal	45.3%	80,000,000	29.5c	\$23.6
CBX (129,050,803)	Bauxite	Cape Alumina	29.9%	38,600,000	33c	\$12.7
PMQ (59,717,114)	Tungsten & Copper Gold	Planet Metals	76%	45,483,749	11c	\$5.0
ORM (72,244,136)	Gold & REE's	Orion Metals	16.4%	11,866,658	28c	\$2.1
Total Listed Investments						\$43.4M
Cash at Bank (31/1/2011)						\$4.9M
Cash & Total Listed Investments						\$48.3M
Shares on Issue (MLM)						117.3M
MLM Cash & Listed Investments/share						\$0.41

FINANCIAL

TO BE READ IN CONJUNCTION WITH APPENDIX 5B ATTACHED

As at 31 December 2010, Metallica's cash was approximately \$5.2 million including interest income of \$79,000 received during the December Quarter.

Exploration and evaluation expenditure totalled \$1.005 million and administration expenditure was \$0.622 million for the quarter to 31 December 2010. The total combined quarterly expenditure was approximately \$1.627 million.

During the Quarter, Metallica sold 4 million Orion shares for \$1 million and exercised 1.4 million Orion options at 12 cents providing net proceeds of approximately \$800,000.

The planned estimated exploration and evaluation expenditure by Metallica for the March 2011 quarter is approximately \$1 million.

Metallica has 117,331,202 shares on issue. There are 6,000,000 unlisted options on issue, comprising 2.4 M employee options, exercisable at 35 cents on or before 12 February 2012 (provided employees are still employed at 12 February 2011), 1.1 million options exercisable at 65 cents on or before 28 September 2012 and 2.5M Director options exercisable at 35 cents on or before 31 May 2012 (only vest if still employed on 31 May 2011).

No Directors or Management Unlisted Performance Options were issued during the quarter.

500,000 options exercisable at 80 cents and 500,000 options exercisable at 35 cents expired on 31 December 2010.

The Company intends to actively progress Metallica's key 100% NORNICO nickel-cobalt & scandium project, and its significant Queensland-based wholly owned advanced exploration interests in zircon-rutile, gold-base metals, limestone-lime and scandium (80%).

Metallica continues to assess attractive corporate and project opportunities that are compatible to the Company's core operations.

QUEENSLAND FLOODS

In response to shareholder and external queries, Metallica Minerals Limited advises that this month's tragic and overwhelming Brisbane and regional floods in Queensland have had no direct impact on our staff and employees, or the company, our office, project facilities or wet season (minimised) exploration activities. However some of our group's exploration tenements landowners will have been affected.

Our deepest sympathies are, however, extended to the many thousands of people affected. While we recognise the challenges ahead for them, Metallica joins the many expressions of public support that those affected can rebuild as quickly and as safely as possible.

Metallica Company and ASX Listed Investment Structure



Figure 2 : Metallica's Company & ASX Listed Investment Structure

Competent Persons Statement

Technical information contained in this report has been compiled by Andrew Gillies B.Sc (Geology) Managing Director of Metallica Minerals Ltd, and Mr Pat Smith MSc. B.Sc (Hons), M.AusIMM, Exploration Manager of Metallica, who are competent persons and Members of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Gillies and Mr Smith have relevant experience to the mineralisation, Exploration Targets and Mineral Resources being reported on to qualify as Competent Persons as defined by the Australasian Code for Reporting of Minerals Resources and Reserves. Information on Cape Alumina bauxite projects in this report are compiled by Mr John Cameron, Exploration Manager of Cape Alumina Limited who is a Member of the AusIMM and has 20 years experience in exploration and mining including a significant time studying bauxite projects. Mr Gillies, Mr Smith and Mr Cameron consent to the inclusion in the report of the matters based on the information in the form and context in which it appears. A separate Competent Person Statement is included for the MetroCoal Ltd (Coal) section on page xx of this report.

Andrew Gillies
Managing Director,
31 January 2011

NORNICO Project Development

NICKEL-COBALT & SCANDIUM | NORNICO PROJECT 100%

KEY ACTIVITIES UNDERTAKEN DURING THE DECEMBER QUARTER:

The NORNICO Stage 1 Ni-Co-Sc Scoping Study was reviewed in detail and further metallurgical testwork was initiated aimed at improving the iron removal stage to allow resource updates and for higher iron content scandium ores to be treated.

Greenvale beneficiation testwork was completed.

Further resource drilling at the Greenvale Nickel Minesite (mined 40Mt at 1.56% Ni and 0.12% Co from 1974-1992) was completed to further enhance resources of remnant high grade Ni-Co ores.

NORNICO - PROJECT STUDIES

NORNICO STAGE 1 – NI-CO-SC PROJECT SCOPING STUDY

The Greenvale Ni-Co-Sc Scoping Study was based on a modest size 180,000tpa project located at the old Greenvale minesite using heated agitated Atmospheric Acid Leaching (AAL) processing, with acid supply trucked from Townsville, solvent extraction and recovery of nickel, cobalt and scandium, with options to produce either nickel metal or nickel sulphate plus cobalt sulphide and scandium oxide products.

Feed material will be selected high grade Ni & Co (>1.6% Ni Eq¹) feed primarily sourced from the Greenvale deposit and blended with cobalt and scandium rich nickel laterite ores trucked from the Lucknow deposit (6km away) and/or if required the Kokomo (55km) Ni-Co-Sc deposit in later years.

Forecast average annual production of contained metal was 2,700t Ni as Nickel Sulphate Hexahydrate product, 160t Co as Cobalt Sulphide intermediate product and 7,500kg of Sc as Scandium Oxide (99.9% purity).

Details of the Scoping Study and financial outcomes were previously

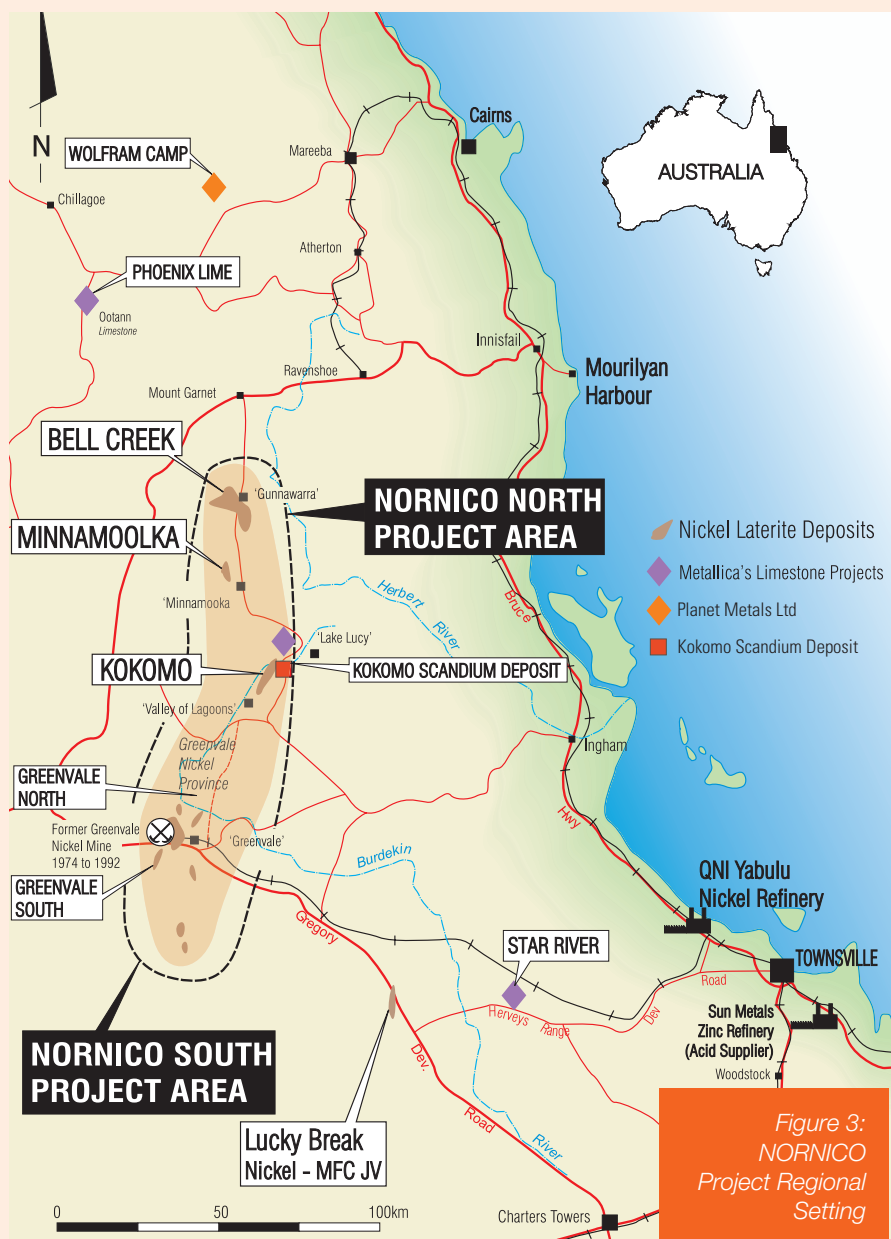
reported in the September 2010 quarterly report. As previously detailed, the project will deliver significant revenue and margin performance.

Due to potential improvements identified on the proposed processing flow sheet, the Scoping Study will be revised (Mark II) to incorporate a more efficient iron removal step (with a potential reduction in reagent consumption) which will also potentially allow an increase in size and the increased ability to process higher iron bearing ores, particularly the high

grade (>200g/t Sc) scandium ores discovered at Lucknow early in 2010.

The flowsheet being developed is suitable for simultaneous tri-metal processing of Ni, Co and Sc bearing laterite ores.

The study is currently being revised to allow for the new Greenvale Ni-Co resource and higher bearing iron scandium ores to maximize revenue and ability to grow future scandium production and extend project life well beyond 10 years.



¹ Ni Eq (Nickel equivalency) is defined by Ni+2Co using prices for nickel of \$9/lb and \$18/lb for Cobalt assuming similar recoveries, no scandium mineralisation is included in the Ni equivalency calculation.

METALLURGICAL TESTWORK

Three representative samples of Greenvale ore from the Powerline and the Edge deposits were forwarded to HRL Testing in Brisbane for beneficiation testwork. Beneficiation by wet scrubbing and screening indicated that the Greenvale ores did not upgrade significantly. This is most likely explained by the natural fineness of the ore in those areas.

Testwork to investigate other alternative methods of dealing with relatively high iron levels was initiated at Burnie Laboratories, Tasmania. The initial test program focuses on solution chemistry at various free acid and ferric concentrations. The solutions are then autoclaved at a range of elevated temperatures and pressures. The aim of the testwork is to determine the process conditions to precipitate iron from a solution containing ferric

iron and sulphuric acid, producing a stable iron residue (as hematite rather than iron sulphate) and recovering the subsequent sulphuric acid.

A secondary test program involves atmospheric acid leaching (AAL) of samples of Greenvale ore from the Powerline and the Edge deposits followed by autoclaving. This test program is complex and is aimed at defining and confirming a suitable process flowsheet that allows the nickel, cobalt and scandium to be sufficiently leached, while maintaining a low overall iron extraction via iron leaching and subsequent precipitation.

ACTIVITIES PLANNED FOR THE MARCH QUARTER 2011

Revise and update the Scoping Study (Mark II) of a 180,000 tpa (this size may be increased) nickel laterite processing

plant (NORNICO Stage 1) located at Greenvale to incorporate a more efficient iron removal stage to allow treatment of the higher iron bearing ores particularly the high scandium ore with high iron content (35% Fe) sourced from Lucknow.

Initiate pit design and mining schedule for the Greenvale Ni-Co resources, the higher grade portions of the Lucknow Ni-Co-Sc zones and high Sc zones in the Lucknow deposit.

Continue AAL metallurgical testwork related to pressure oxidation on the Greenvale and Lucknow high iron bearing ore types.

Planning of Mining Lease Application(s) over portion(s) of the Greenvale mine site and the Lucknow projects.

Wet season baseline studies for Greenvale and Lucknow are planned for the March quarter 2011.



Nickel laterite exposure on the Greenvale mine site

NORNICO Exploration & Resources Update

EXPLORATION WORK COMPLETED ON THE NORNICO PROJECT AREA IN THE DECEMBER QUARTER INCLUDES:

- Completion of the Phase Two drilling Program at Greenvale (no further exploration drilling on NORNICO's core deposits is required)
- Updated Resource estimates for the Greenvale Ni-Co deposit and the Lucknow Ni-Co and Sc project
- Rehabilitation of all drill sites at Greenvale
- Collection of Metallurgical samples for additional beneficiation and acid leach test-work

GREENVALE NICKEL PROJECT

GREENVALE DRILLING & RESOURCE COMPLETION

Metallica Minerals completed the Phase Two drilling at Greenvale in early December 2010. A total of 362 RC and Aircore holes were completed for 7,693m, between September and December 2010. Approximately 90% of Greenvale Ni-Co resource is in the Measured & Indicated resource category – sufficient for mining studies.

These holes were aimed at identifying additional nickel-cobalt resources outside the existing Greenvale resource boundaries at The Edge, Powder Magazine and The Power Line areas and to define resources at Moonscape and other areas of potential high grade nickel laterite mineralisation within the Greenvale pit limits.

Compared to the Lucknow and Kokomo Ni-Co-Sc deposits, the scandium (Sc) content of the Greenvale nickel laterite ores are relatively low. The Greenvale scandium values are typical between 10-80g/t Sc and average around 30g/t Sc in the Greenvale Ni-Co ore zones.

Better results for holes GVM702-779 are listed below:

THE POWER LINE:

GVM724	7m	@ 1.56% Ni and 0.16% Co (1.88% NiEq ¹) from 40m
GVM770	5m	@ 1.39% Ni and 0.04% Co (1.47% NiEq) from 1m
GVM771	14m	@ 1.82% Ni and 0.10% Co (2.02% NiEq) from 0m
GVM772	3m	@ 1.81% Ni and 0.10% Co (2.01% NiEq) from 0m

AREA 15

GVM726	9m	@ 1.89% Ni and 0.03% Co (1.95% NiEq) from 0m
GVM727	8m	@ 1.51% Ni and 0.04% Co (1.59% NiEq) from 0m
GVM727	7m	@ 2.19% Ni and 0.05% Co (2.29% NiEq) from 0m
GVM761	4m	@ 2.84% Ni and 0.04% Co (2.92% NiEq) from 0m
GVM764	3m	@ 1.50% Ni and 0.03% Co (1.56% NiEq) from 0m

MOONSCAPE

GVM 712	6m	@ 1.09% Ni and 0.29% Co (1.67% NiEq) from 33m
GVM 713	9m	@ 0.88% Ni and 0.34% Co (1.56% NiEq) from 23m
GVM 714	7m	@ 1.25% Ni and 0.31% Co (1.87% NiEq) from 3m
GVM 717	6m	@ 1.10% Ni and 0.20% Co (1.50% NiEq) from 6m

THE TRENCH

GVM 743	11m	@ 1.71% Ni and 0.14% Co (1.99% NiEq) from 0m
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GREENVALE RESOURCE UPDATE

An updated resource for the Greenvale Ni-Co project has been completed by Golder Associates of Brisbane using data from the Phase 2 drilling program. The Measured, Indicated and Inferred resource for Greenvale now stands at, **8.0Mt @ 1.04% Ni and 0.08% Co (1.20% NiEq¹)** this is an increase of 87% from the previous resource quoted in September 2010.

This resource includes a higher grade zone of **3.87Mt at 1.27% Ni and 0.10% Co (1.62% NiEq)**, see Tables 1 and 2 for the breakdown of the resource categories.

This is an increase of 87% and 37% respectively from the previous resource quoted in September 2010.

The Greenvale Resource was estimated using data from 779 Reverse Circulation (RC) and Aircore holes. Holes GVM 142 to GVM 779 were drilled by Metallica between March 2010 to December 2010 (comprising approximately 17,000m) and holes GVM-001 to GVM 142 were drilled by Straits Resources Ltd between May 2007 and August 2008 (comprising approximately 6,000m of drilling). The Greenvale resource has predominantly been drilled out on a 40m by 40m grid with some infill drilling to 20m by 20m.

LUCKNOW NICKEL-COBALT & SCANDIUM PROJECT

LUCKNOW RESOURCE

The Lucknow Ni-Co resource and the scandium (Sc) resource have also been updated to include the new bulk density

¹Ni Eq is calculated using Ni+2Co and is based on a Nickel price of \$9/lb and a Cobalt price of \$18 /lb. Scandium is not used in the equivalency equation

data obtained from recent diamond drilling and the detailed topography obtained from satellite imagery. Using this data the Ni-Co Measured, Indicated and Inferred resource now stands at 1.76Mt @ 0.60% Ni and 0.19% Co at a 0.70% NiEq COG, (0.98% NiEq) and the Lucknow scandium resource now stands at 6.24Mt at 169g/t Sc (at a 70g/t Sc COG).

Using a higher cut-off grade 120g/t Sc there is a higher grade scandium resource of 4.12Mt at 206g/t Sc, containing over 1.2 million kg of scandium oxide.

The Lucknow Ni-Co & Sc resource was completed by using data from 298 RC drill holes comprising 7,036m of drilling. The resource has been drilled out on either a 20m (N-S) by 20m (E-W) grid or a nominal 40m (N-S) by 40m (E-W) grid which is sufficient to classify the resource as Measured and Indicated. Where the drilling has been completed on a 80m (N-S) by a 40m (E-W) grid the resource has been classed as Inferred. Details of the resource categories for the Lucknow deposit are detailed in table 3 and 4.

The above resource conforms to JORC guidelines for the reporting of mineral resources, the resources have been classed as either Measured, Indicated or Inferred based on geological continuity, sample intervals and drill hole spacing. The Measured and Indicated resource is sufficient for initial pit design and scheduling.

The scandium ore at Lucknow is covered by a Joint Venture agreement between Straits Resources Ltd (20%) and Metallica Minerals Ltd (80%), under the terms of the JV all scandium ore is to be mined or stockpiled separately and kept for later processing by the JV. Laterite resources are classified as either Ni-Co ore or Sc ore under a formulae defined by the terms of the JV agreement.

WORK PROGRAM FOR THE NEXT 3 MONTHS

- ▶ Mining Lease application over Lucknow and Greenvale
- ▶ Continued negotiations with the Gugu Badhun for an ILUA which will include, Kokomo, Lucknow and Greenvale
- ▶ Negotiation with landowners for agreements to cover ML applications at Greenvale, Lucknow and Kokomo
- ▶ Wet Season Flora and Fauna studies at Greenvale and Lucknow
- ▶ Resource mining studies including initial pit decisions and mine schedules

Table 1: Greenvale Ni - Co Resource (Using a 0.70% NiEq COG)

Classification	Mt	Ni%	Co%	NiEq%	Fe%	Scg/t
Measured	2.63	1.08	0.09	1.26	22.0	33
Indicated	4.47	1.03	0.08	1.19	21.0	33
Inferred	0.90	0.99	0.07	1.12	19.0	30
Total	8.00	1.04	0.08	1.20	21.0	33

The above resource conforms to JORC guidelines for the reporting of mineral resources, the resources have been classed as either Measured Indicated or Inferred based on geological continuity, sample intervals and drill hole spacing. The Measured and Indicated resource is sufficient for preliminary pit design and scheduling. The Mineral resource estimate is appropriate for a selective open pit mining scenario, but does not account for mining dilution or mining losses.

Table 2: Greenvale Ni-Co Resource (Using a 1.2% NiEq COG)

Classification	Mt	Ni%	Co%	NiEq%	Fe%	Scg/t
Measured	1.4	1.33	0.10	1.53	21	31
Indicated	2.13	1.24	0.10	1.43	21	33
Inferred	0.34	1.23	0.08	1.40	19	28
Total	3.87	1.27	0.10	1.46	21	32

Table 3: Lucknow Nickel - Cobalt Resource (Using a 0.70% NiEq COG)

Classification	Mt	Ni%	Co%	NiEq%	Fe%	Scg/t
Measured	0.74	0.66	0.17	1.00	24	38
Indicated	0.55	0.55	0.22	0.99	22	47
Inferred	0.47	0.55	0.19	0.93	20	50
Total	1.76	0.60	0.19	0.98	22	44

Table 4: Lucknow Sc Resource Subject to the JV Agreement (70g/t Sc COG)

Classification	Mt	Sc (g/t)	Ni (%t)	Co (%)	Fe (%)	Mg (%)
Measured	0.72	194	0.24	0.05	30.6	1.93
Indicated	2.67	170	0.19	0.04	35.3	0.94
Inferred	2.85	159	0.20	0.04	35.0	0.80
Total	6.24	169	0.20	0.04	34.6	0.99

Lucky Break Nickel Project

MFC 50% MLM 50% JOINT VENTURE

The Lucky Break nickel project, located 140km west of Townsville, North Queensland (see Figure 4) is in a joint venture between Metals Finance Ltd (ASX:MFC) and Metallica. Metallica holds two granted Mining Leases (ML 10324 and 10332).

Under the Lucky Break joint venture agreement, Metals Finance is responsible for funding, developing and managing the Lucky Break project, if it proceeds. A limited recourse loan will be created from Metals Finance to the Metallica subsidiary for 50% of the project costs.

The project, with a minimum planned mine life of just under six years with nickel recoveries of 85% and average

grades of 1.3% Ni, is to be developed and brought into production at no cash cost to Metallica.

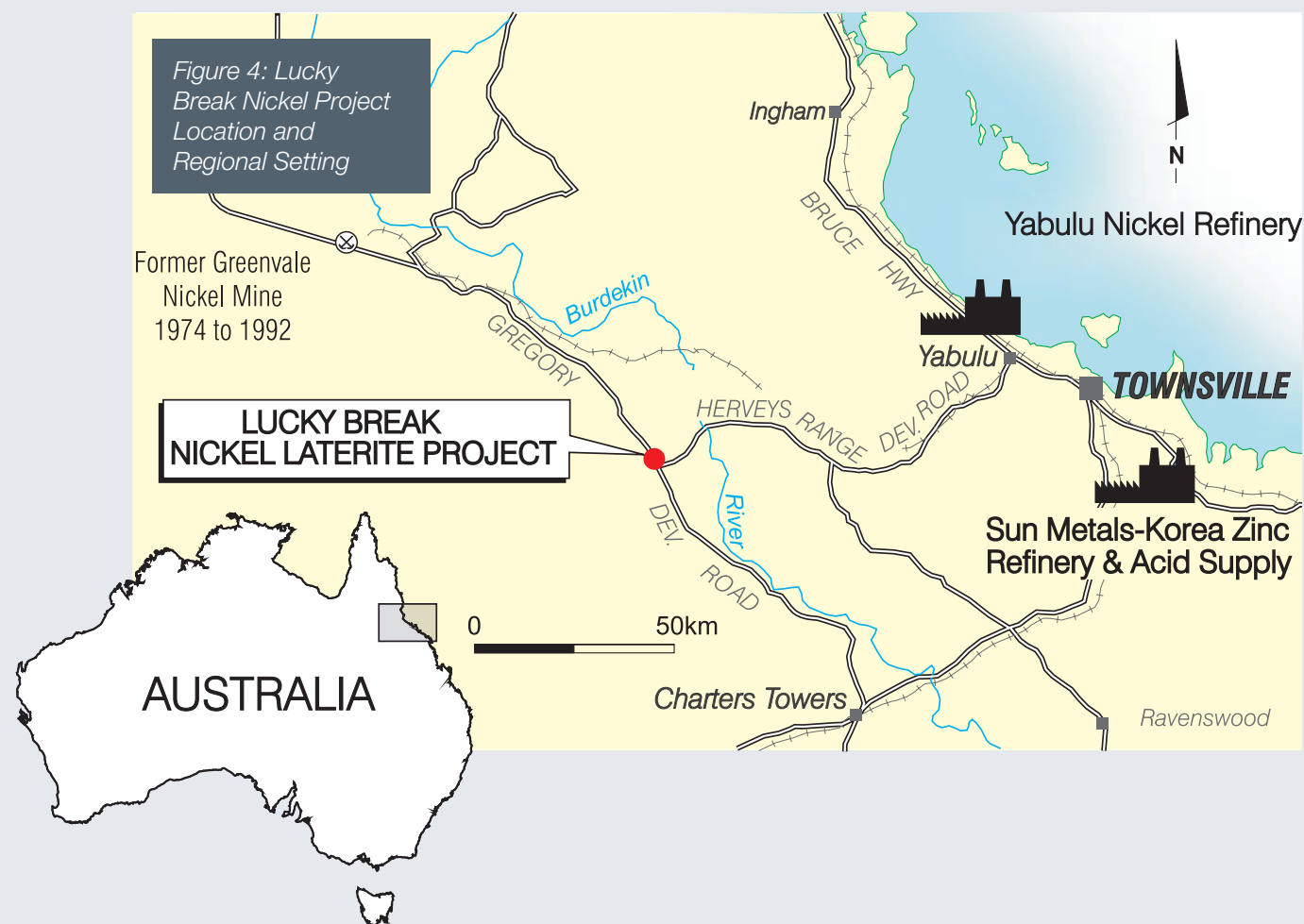
Upon implementation 100% of cash flow surplus will be directed to repayment of the loan from Metals Finance until this loan is repaid. After this, the cash flow surplus will be shared 50:50.

The development of the Lucky Break project would provide Metallica with significant hydrometallurgical operational experience and know-how, ahead of the proposed larger scale NORNICO Stage 1 development at Greenvale (approximately 100km north of Lucky Break).

PROJECT STATUS – DECEMBER 2010

The Lucky Break Nickel project is progressing toward implementation, with commissioning currently targeted to commence during the second quarter of 2012.

- ▶ Final site layout drawings completed for revised Plan of Operations.
- ▶ Project schedule finalised.
- ▶ Decision made for mining to be carried out by contractor, as opposed to owner operated mining.
- ▶ Remaining tests completed to enable design of Cu guard column and Ni IX feed parameters.



PLANNED ACTIVITIES FOR THE MARCH 2011 QUARTER:

- ▶ The Updated Definitive Feasibility Study (DFS) will be completed in February 2011 and submitted to specialist Hydrometallurgist consultant John Canterford (Process Technologies) for final review.
- ▶ An Environmental Assessment (EA) Amendment will be submitted to DERM (prepared by MFC through Metallica) in February to correct errors identified in the existing EA – it is not expected to cause any delay to project implementation.
- ▶ An Amended Plan of Operation (POO) will be submitted to DERM (by MFL with the assistance of Environmental Consultants AARC (AARC)) in conjunction with the EA Amendment – again this is not expected to cause any delays.
- ▶ Seek signoff from Sun Metals on the acid MoU
- ▶ Negotiations for project financing have commenced.



MetroCoal Limited

SURAT BASIN COAL | ASX:MTE | MLM 45.3%

AN EMERGING COAL AND ENERGY COMPANY FOCUSED ON THE SURAT BASIN

METALLICA HOLDS 80 MILLION SHARES IN MTE

QUARTER HIGHLIGHTS

- ▶ MetroCoal completed an oversubscribed placement raising \$10.5 million;
- ▶ SinoCoal confirms receipt of \$30 million for funding of the Columboola Joint Venture Project;
- ▶ MetroCoal commits bank guarantee funding for WICET for capacity of 12Mtpa; and
- ▶ Surat Basin Rail receives conditional

approval of its Environmental Impact Statement

- ▶ The Bundi Project area coal resource increased from 292Mt to 381Mt.
- ▶ MetroCoal's total thermal coal resource base in the Surat Basin expanded to 709Mt incorporating its Bundi, Norwood and Juandah Project areas (see Table 5).
- ▶ Drilling began in Columboola Project Area.

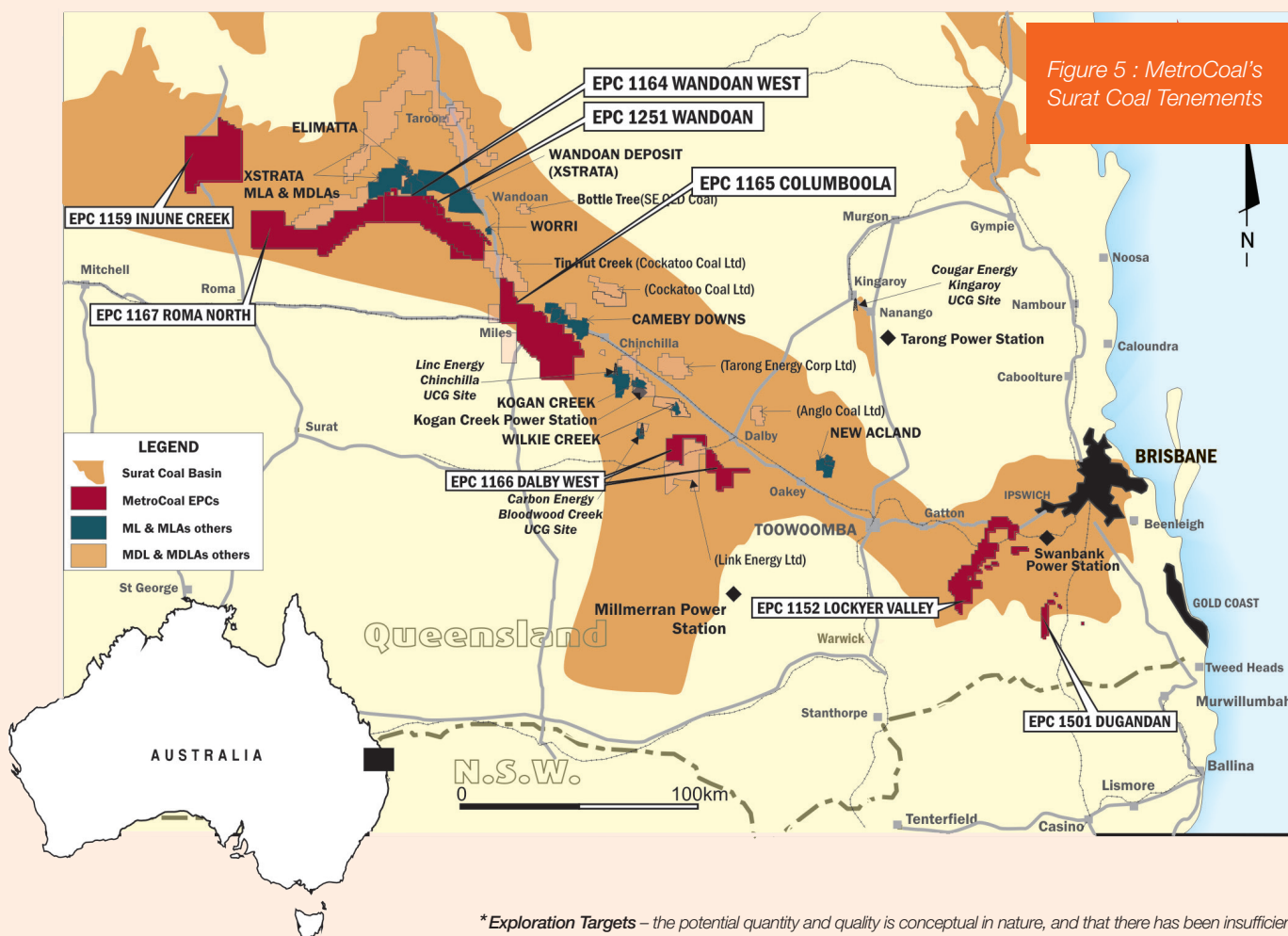
MetroCoal is an emerging coal based energy company focused on the Surat Basin, with a vision to build a substantial thermal coal and cleaner energy business. MetroCoal holds 100% of extensive coal tenements covering 4,000km² in the Surat Basin region, in southern Queensland (see Figure

5). The coal in the Surat Basin is ideally suited to provide high quality export thermal product and also to provide the feedstock for an alternative energy and fuel production from Underground Coal Gasification (UCG). MetroCoal's strategy is to confirm Exploration Target* of between 2.5 and 3.5 billion tonnes by December 2011.

EXPLORATION, EVALUATION & RESOURCES

MetroCoal announced on 19 October 2010 a 30% increase in the Bundi Project resource to 381Mt.

- ▶ The Bundi Project area, within the Company's EPCs 1164 & 1251 Wandoan West in the Surat Basin,



**Exploration Targets – the potential quantity and quality is conceptual in nature, and that there has been insufficient exploration to define a Mineral Resource or Ore Reserve and that it is uncertain if further exploration will result in the determination of a Mineral Resource or Ore Reserve.*

Table 5: MetroCoal – Surat Coal Project Resource

Resource ¹	Norwood (Underground Coal)	Bundi ² (Underground Coal)	Juandah (UCG)	Total (UG & UCG)
Inferred	156Mt	381Mt	149Mt	686Mt
Indicated	-	-	23Mt	23Mt
TOTAL	156Mt	381Mt	172Mt	709Mt

¹ SeeMtE ASX Release 18 October 2010 – Annual Report 2010

² SeeMtE ASX Release 19 October 2010 – 30% increase in Bundi Resource to 381Mt

is the down dip extension of the Elimatta and Xstrata Ltd's Wandoan mining project areas. The next drilling program for the Bundi area is planned to increase the resource confidence to an 'Indicated' category via a staged process commencing in 2011. MetroCoal's total Surat Coal Project Resources are shown in Table 5.

Although the primary focus remains on the Macalister Upper seam it is becoming apparent that the Kogan and Macalister Lower Seams are correlatable in some areas and there may be scope to include these additional seams in the resource through the planned, closer spaced drilling.

IMPACT OF WET WEATHER ON EXPLORATION PROJECT AREAS

Wet weather in the Wandoan and Miles/Chinchilla areas has hampered MetroCoal's drilling operations since August 2010.

Although MetroCoal suffered no direct loss or damage there has been significant damage to road infrastructure in the region. Saturated ground and a 5 tonne weight limit on local roads have prevented remobilisation of drilling rigs. It is hoped that with continued good weather, drill rigs will be progressively remobilised and drilling may commence in early to mid February.

Notwithstanding the rain delays, MetroCoal expects to meet its resource target commitments.

CHINA COAL/SINOCOAL JV – CUMBOOLA PROJECT

Under the terms of the Joint Venture Agreement (JVA), SinoCoal acquires a 51% interest in MetroCoal's EPC 1165 Cumboola in the Surat Basin, Queensland for an agreed expenditure of AUD\$30 million on EPC 1165.

During the quarter, the Joint Venture confirmed that the funds of \$30 million were in place and the transfer of 51% of the EPC 1165 from MetroCoal to SinoCoal was underway.

The Cumboola JV initial exploration program is designed to test the entire Walloon Sub-group inclusive of the highly prospective Macalister Seam(s) of the Juandah Coal Measures and the deeper Taroom Coal Measures. The program will concentrate on the most prospective areas within Cumboola to achieve the Exploration Target of between 830Mt to 1165Mt*.

The planned drilling program consists of 30 holes on a 3.6km offset grid to optimise drill spacing for initial resource estimation. This program commenced in early December with the appointment of Dynamic Drilling Pty Ltd but was suspended due to wet weather prior to Christmas.

The funds will be used for exploring and evaluating the potential for future commercialisation options within the Cumboola tenement and also opens up the opportunity for participation in MetroCoal's other tenements. The Cumboola JVA requires a minimum expenditure of \$4 million within the first two years of the agreement.

*Exploration Target: The potential quantity and quality is conceptual in nature, and that there has been insufficient exploration to define a Mineral Resource or Ore Reserve and that it is uncertain if further exploration will result in the determination of a Mineral Resource or Ore Reserve.

CAPITAL RAISING

During the December quarter, MetroCoal completed a heavily over-subscribed placement of 35 million shares at an issue price of 30 cents per share that raised a gross amount of funds totalling \$10.5 Million. The raising was completed in two stages as shareholder approval was sought and approved at the AGM in November.

INFRASTRUCTURE

Further progress was achieved for the provision of rail and port infrastructure for the coal industry in Queensland during the December quarter.

PORT

Eighteen (18) coal producers who are shareholders in Wiggins Island Coal Export Terminal Pty Ltd (WICET) executed a Framework Deed with the Queensland Government and Gladstone Ports Corporation in December 2009. This allowed for the progress of the next phase of the development of the Wiggins Island Coal Export Terminal in Gladstone.

On 30 September 2010, WICET announced that eight (8) coal producers had signed capacity commitments totalling 27Mtpa for Stage 1 of the terminal expansion.

MetroCoal signed a Feasibility Funding Deed (FFD) with WICET and joined a number of other coal industry companies who are underwriting the cost of a full feasibility study for Stage 2 of the WICET expansion.

MetroCoal has requested a total tonnage of 12 Million tonne per annum (Mtpa) for its key Surat Basin Coal Project areas:

1. Columboola (EPC 1165 – Joint Venture with SinoCoal Resources P/L) : 7Mtpa

2. Bundi (EPC 1164) : 5Mtpa

A bank guarantee of \$2 million was provided to WICET in December for the FFD.

RAIL

The Surat Basin Rail Joint Venture (SBRJV) was given conditional approval for the rail project's Environmental Impact Statement. This announcement was also followed by the Queensland

Government's conditional approval for the Xstrata managed Wandoan Coal project. The SBRJV is planning the construction of a Surat Basin Railway between Wandoan and Banana. The objective of the SBRJV is to construct and operate an open-access, multi-use rail link to facilitate the export of coal and freight through to the Port of Gladstone.

Competent Person Statement

* The information in this Announcement that relates to Exploration Results and Exploration Targets is based on information compiled by

Mr Neil Mackenzie-Forbes who is a Member of the Australian Institute of Geoscientists (Membership No 2035). Mr Mackenzie-Forbes is currently the exploration manager of MetroCoal. Mr Mackenzie-Forbes has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Mackenzie-Forbes has consented in writing to the inclusion in this announcement of the matters based on the information in the form and context it appears.



Cape Alumina Limited

BAUXITE | ASX:CBX | MLM 29.9%

METALLICA HAS A STRATEGIC 29.9% SHAREHOLDING (COMPRISING 38.57M ORDINARY SHARES) IN CAPE ALUMINA.

Cape Alumina controls 1,900km² of tenements, including 13 granted and four applications for Exploration Permits for Minerals (EPM), adjoining Rio Tinto Alcan mining leases in the Weipa bauxite province of western Cape York, Queensland (see Figure 6 below)

- ▶ Work commences on initial project definition of the new high-grade bauxite discovery at Bauxite Hills 60km NW of Pisolite Hills in western Cape York.

BAUXITE HILLS PROJECT DEFINITION

In the December Quarter, work began on the Concept Study for the proposed Bauxite Hills (BH) mine and port project, which is located approximately 95 kilometres north of Weipa on western Cape York, Queensland.

The Concept Study will examine the six identified prospective zones within the dissected lateritic plateau located between the Ducie and Skardon rivers (see Figure 7). These tenements are 100 per cent owned by Cape Alumina.

The most promising area is BH1 which is five kilometres south-south-east of the existing Skardon River port. The close proximity of BH1 to the existing Skardon port (or a potential new barge loading facility) suggests that this area is capable of supporting low-cost, high-grade bauxite production.

The Concept Study for the proposed Bauxite Hills mine and port project is being undertaken by leading engineering consultants SNC-Lavalin and is expected to be complete in early 2011.

EXPLORATION AND TENURE

During the December quarter, Cape Alumina undertook further reconnaissance sampling and scout auger drilling on a number of the previously mapped bauxite plateaus on the Bauxite Hills project.

On BH6, nine shallow hand auger holes were drilled over a total area of

11.57 square kilometres of mapped bauxitic plateau recording wide spread distribution of cemented pisolitic bauxite throughout the plateau area.

Four hand auger drill holes were drilled along existing public tracks on the BH4 plateau, located approximately 20km east of BH1. These holes intersected variably pisolitic laterite material.

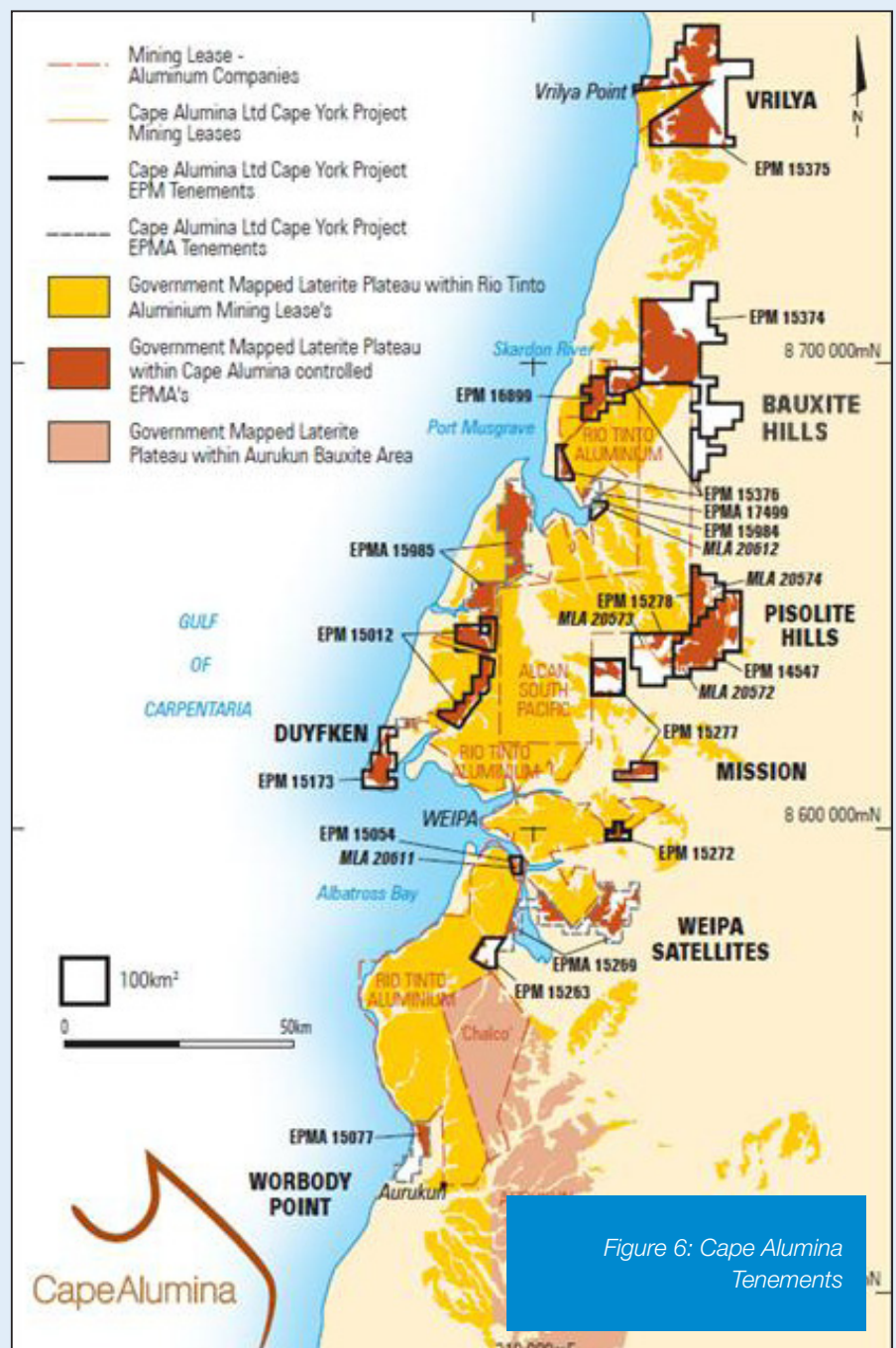


Figure 6: Cape Alumina Tenements

An additional hole was drilled to test the strike extension of the mineralisation intersected previously on each of the BH1 and BH2 plateaus, both holes intersected bauxite.

Preparations are underway to complete cultural heritage surveys and establish access for drilling on EPM15376 to be undertaken in the 2011 field season commencing mid-year. In addition, negotiations have commenced with Traditional Owner groups on access agreements covering EPM15374 and EPM16899 to allow access for drilling in 2011.

ENVIRONMENT

A compliance review of the baseline reports against the terms of reference for the EIS has been completed and a program is being formulated to complete the EIS after it was suspended following the Wenlock Wild River declaration.

At this stage, Cape Alumina is continuing its environmental studies given the growing level of uncertainty around the Queensland Government's controversial wild rivers legislation.

Depending on the outcomes of the Concept Study, Cape Alumina will be able to apply the knowledge and experienced gained while working on the Pisolite Hills Environmental Impact Statement (EIS) and apply this to the new proposed Bauxite Hills project area.

CULTURAL HERITAGE AND COMMUNITY

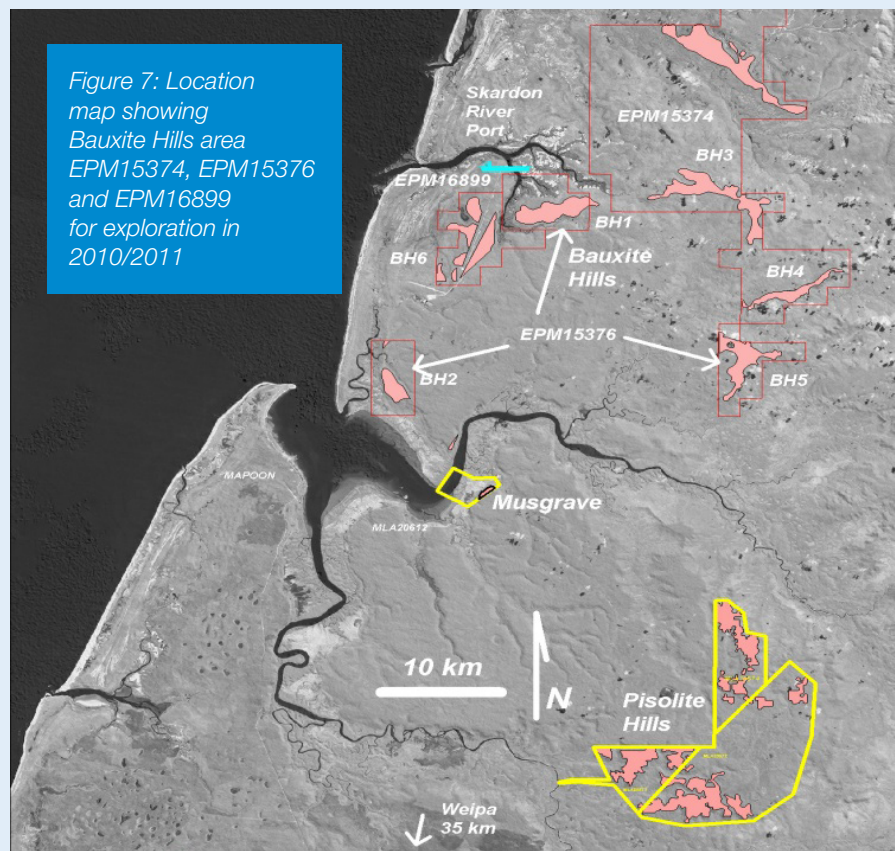
Cape Alumina remains committed to engage in meaningful consultation with the local community and continues to support its Mapoon office located in the Mapoon Community Land and Sea centre.

The majority of the local community and the Traditional Owners of the

Pisolite Hills project area support Cape Alumina's project because of the rare opportunity that it would provide for them to gain social and economic prosperity – more than 80 per cent of the local community are in favour of the mine project going ahead.

FINANCIAL

As at 31 December 2010, Cape Alumina Limited had a cash balance of approximately \$2.2 Million.



Planet Metals Limited

ASX:PMQ | MLM 76%

Planet Metals is a Brisbane-based ASX-listed mining development and exploration company, with a focus on copper, gold, tungsten and molybdenum. Key operations include the Mount Cannindah copper-gold project (100% owned) and the Wolfram Camp tungsten-molybdenum project (85% owned) – both located in Queensland. The Company's major shareholder is Metallica Minerals (ASX Code: MLM) with a 76% shareholding. As at the date of this release, Planet Metals has 59.7 million shares on issue as well as 1.5 million unlisted options.

DECEMBER QUARTER HIGHLIGHTS

WOLFRAM CAMP TUNGSTEN-MOLYBDENUM MINE (PMQ 85%)

Located approximately 90km west of Cairns, Qld

- ▶ As per ASX release dated 20 December 2010, Planet Metals Ltd entered into an Option to Purchase Agreement ("Agreement") with ASX-listed Hazelwood Resources Ltd ("Hazelwood") to sell its 100% owned subsidiary, Wolfram Camp Mining Pty Ltd ("WCMPL") for a total sale price of \$8 million, comprising \$5 million cash and \$3 million worth of Hazelwood shares.
- ▶ Hazelwood Resources is a Perth-based ASX-listed company which is planning to be a global player in the integrated tungsten business. A non-refundable deposit of \$100,000 has been paid by Hazelwood and they have until 10 February 2011 to carry out due diligence and exercise their option to purchase.
- ▶ The agreement with Hazelwood was entered into less than 5 weeks after the termination of a previous Share Sale Agreement with Tropical Metals Pty Ltd (refer ASX release dated 16 November 2010). Tropical was unable to complete its obligations, due largely to financing issues. As a consequence of the default, Planet Metals retained all cash deposits totalling \$400,000.

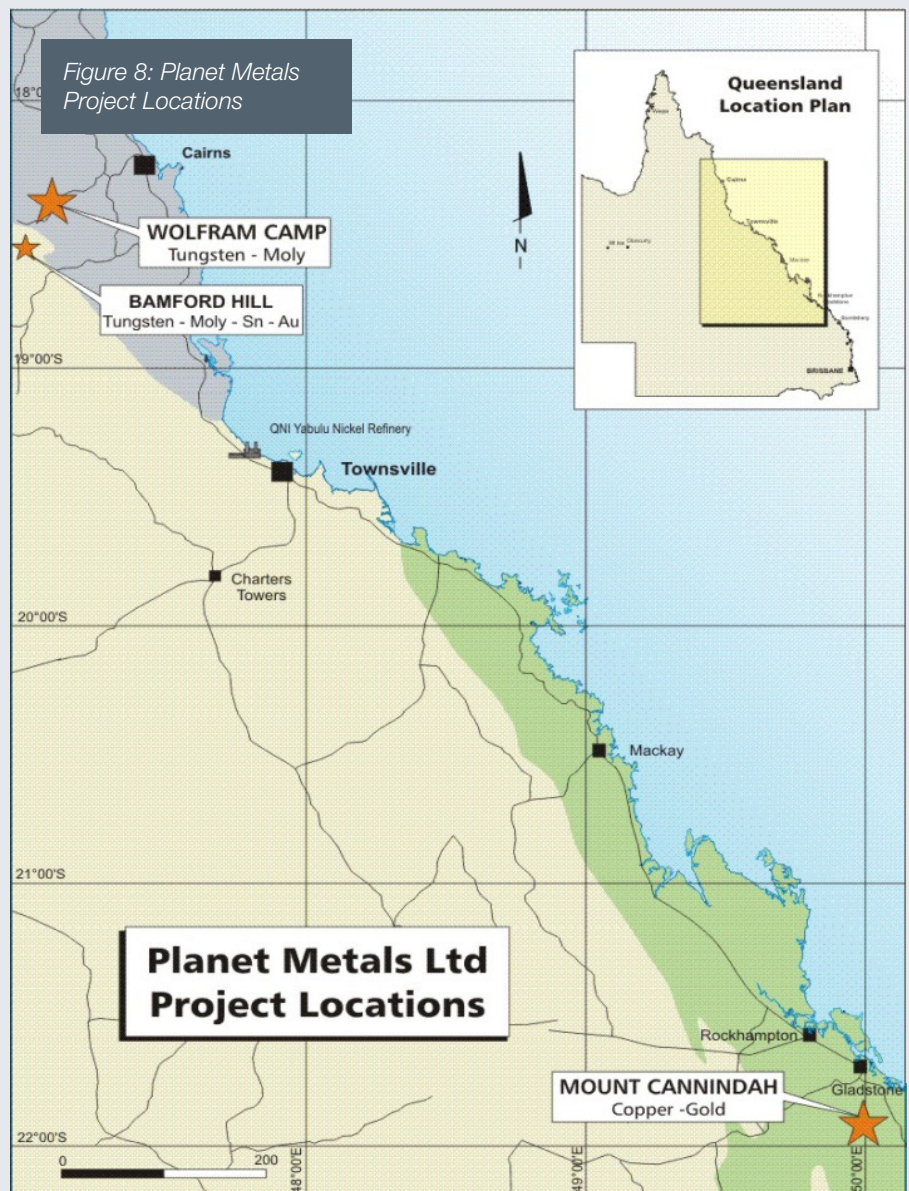
MOUNT CANNINDAH COPPER-GOLD PROJECT (PMQ 100% BUT SUBJECT TO FARM-IN AGREEMENT)

Located approx. 100km south of Gladstone, Qld

- ▶ As per ASX release dated 24 December 2010, a farm-in agreement was signed with Drummond Gold Limited (ASX Code: DGO), whereby Drummond can earn up to 75% of the Mount Cannindah copper-gold project by spending \$6.75 million over a period

of 4 years and 9 months. Under the Agreement, Drummond is required to spend a minimum of \$750,000 in the first 9 months, which must include 3,000m drilling around the Mount Cannindah Mine resource area.

- ▶ Drummond Gold is an ASX-listed gold and base metals explorer with an experienced Board of Directors. Drummond's Executive Chairman, Ed Eshuys, is a geologist who is well known for his successes as Joseph Gutnick's Exploration Director. He led teams behind the discovery



of the Plutonic, Bronzewing and Jundee gold deposits and more recently was Managing Director of St Barbara, during which time the company grew substantially as a gold producer.

MOUNT BORIUM GOLD PROJECT (TENEMENTS UNDER APPLICATION - PMQ 100%)

- ▶ During the quarter, the Company successfully applied for a group of north-west Queensland tenements which are strategically located between the historic Kidston gold mine and Einasleigh copper project. The Company's key focus is on the Mount Borium gold prospect – desktop analysis of which will be completed in the March quarter. These tenements are yet to be granted by the Department, however there are no competing applications upon lodgement.

CORPORATE

Planet Metals is constantly reviewing opportunities within the metals sector, primarily in copper and gold. Funds from the sale of WCMPL will enable Planet to more aggressively target such opportunities. This would complement the Company's existing copper and gold projects.

- ▶ As at 31 December 2010, the Company's cash position was in excess of \$900,000

PROPOSED ACTIVITIES FOR THE DECEMBER QUARTER

- ▶ Continue providing Wolfram Camp data to Hazelwood Resources during the Due Diligence period
- ▶ Provision of data and information to Drummond Gold as part of farm-in agreement

- ▶ Desktop assessment of the Mount Borium group of tenements whilst awaiting for these tenements to be granted
- ▶ Assessment of additional resource development opportunities as they arise

Competent Persons Statement

Technical information contained in this report has been compiled and/or supervised by Mr Pat Smith MSc. B.Sc (Hons) M.AusIMM (Exploration Manager of Metallica Minerals Limited – Planet's major shareholder) who is a competent person and member of the Australian Institute of Mining and Metallurgy (AusIMM). Mr Smith has relevant experience to the mineralisation, Exploration Targets and Mineral Resources 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 Smith consents to the inclusion of this information in the form and context in which it appears in this report.



Wolfram Camp Mine

Orion Metals Limited

GOLD & RARE EARTHS | ASX:ORM | MLM 16.4%

HIGHLIGHTS

- ▶ 30 hole shallow drilling confirms high levels of Rare Earth Elements (REE), gold & uranium mineralisation at the recently discovered wholly owned Killi Killi project in Tanami desert (WA).
- ▶ REE & gold mineralisation (up to 6m @ 5.85 g/t Au) occurs in flat dipping conglomerate/sandstone and in underlying basement rocks.

Orion Metals (Orion) is a Brisbane based exploration company focused on Gold and Rare Earth Elements (REEs).

Orion has the Killi Killi REE-Gold Project in Western Australia and gold and REE projects located in Queensland (see Figure 9).

KILLI KILLI HILLS REE & GOLD

30KMS NORTH EAST OF THE COYOTE GOLD MINE IN THE TANAMI DESERT, WA

In the December Quarter, transfers of the two exploration licences at Killi Killi were processed by the WA Department of Mines & Petroleum. Orion now holds the tenements 100%.

Following confirmation of significant levels of REE – especially those at the “heavy” end of the sequence - in rock samples taken in July 2010, Orion completed a 30 hole RC drilling program that confirmed REE and gold mineralisation (up to 6m @5.85g/t Au). REE and gold mineralisation occurs in a

unit of flat dipping basal conglomerate/sandstone and in underlying basement rocks - see *Orion Metals ASX Release dated 23 December 2010*.

In sampling intervals of between 1 and 3 metres in several holes (e.g. KK03, KK12, KK14 and KK27), total REEY (REE+Yttrium) concentrations range from 2,869 to 4,315ppm.

Rock chip sampling of the basal conglomerate/sandstone unit has recorded anomalous REE values up to 500 meters east of previous sampling. Importantly these samples are significantly enriched in the high value Heavy REE's (HREE).

The assays from this program clearly indicate that the Company's exploration

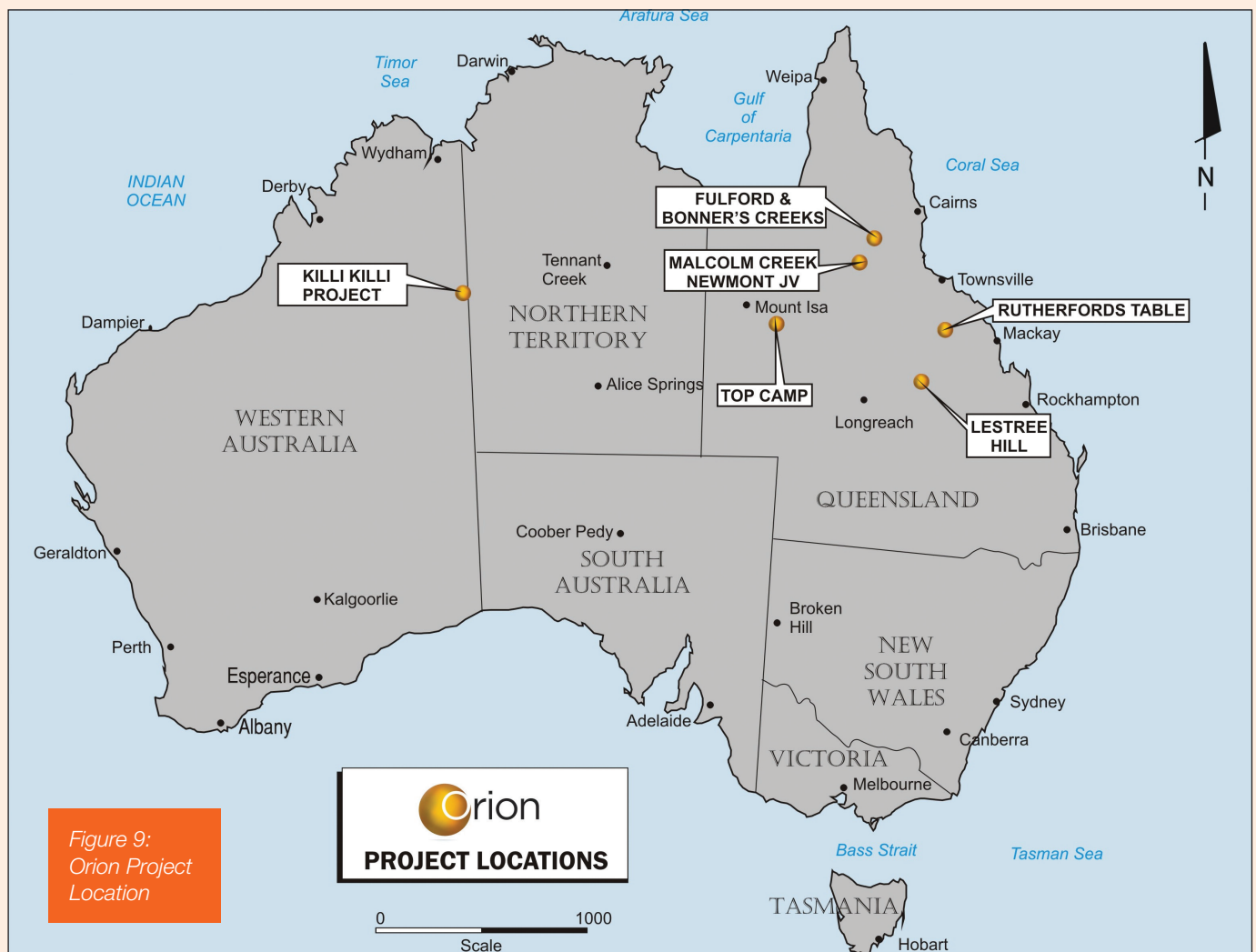


Figure 9:
Orion Project
Location

tenements contain significant sediment-hosted concentrations of high value heavy rare earth element (HREE) mineralisation as well as an important gold association.

MALCOM CREEK GOLD PROJECT

80KM SOUTH OF GEORGETOWN

Under the joint venture agreement with Newmont Exploration Pty Ltd, Newmont has conducted a minimum initial \$250,000 exploration program

Following a review of field results from geochemical and geophysical data, four RC drill holes to depths exceeding 300 metres have been completed at the Bald Mountain Prospect south of Forsyth in far north Queensland. The holes intersected zones of quartz veining, clay alteration and disseminated sulphides, with areas of possible breccia development consistent with observed surface features.

In January 2011, Newmont Exploration Pty Ltd has advised Orion that it has received the analyses from the RC drillholes drilled at the Bald Mountain Prospect with discouraging results. Newmont has advised that it does not wish to proceed with further exploration and has withdrawn from the joint venture.

TOP CAMP GOLD-COPPER PROJECT

40 KMS SOUTH OF CLONCURRY

- ▶ MLs 2764, 2785, 2786 & 2792 – Newly discovered magnetite bodies in an alluvial goldfield with hard rock gold and copper prospects.

No work was completed in the December Quarter.

CORPORATE

On 17 November 2010, Orion announced the sale of its Rutherfords Table gold project for \$450,000 which is now unconditional following satisfactory due diligence and indicative Ministerial approval, settlement is expected March 2011.

The Placement of 8 million shares at an issue price of 25 cents to institutional and sophisticated investors in October 2010 raising \$2 million.

In October, Orion's two largest shareholders (Metallica Minerals and Jien Mining Pty Ltd) exercised their February 2011 Options raising \$600,000.

Ongoing assessment and review of several gold and rare earth opportunities and projects.

Orion has approximately 7.65 million options exercisable at 12c each expiring on 25 February 2011.

The additional funds will be used to progress Orion's rare earth project exploration activities, acquisition of additional prospective REE-Au tenements in the Killi Killi region and further drilling program(s) planned for mid 2011. The funds will also be used to progress gold prospects and to seek other opportunities.

For further information regarding Orion Metals see www.orionmetals.com.au

Competent Persons Statement

In accordance with Listing Rules 5.1 and 5.12 of the Australian Securities Exchange technical information contained in this report has been compiled by Mr. Adrian Day BSc (Geology), MAIG, MSEG, MGSA who is a competent person and member of the Australasian Institute of Geoscientists. Mr Day has relevant experience to the mineralisation being reported on to qualify as a Competent Person as defined by the Australasian Code for Reporting of Minerals Resources and Reserves. Mr Day is a non-executive Director of Orion Metals Limited and part-time consultant to the company. He consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

*Drilling Killi
Killi REE - Au
discovery,
late 2010*



Weipa HMS-Zircon & Rutile Project

MLM 100%

WEIPA ZIRCON-RUTILE SANDS PROJECT

Urquhart Point zircon-rutile project progresses - A representative 6 tonne sample from over 30 sample points has been delivered to Robbins Metallurgical (Ballina) to begin metallurgical test work in January. VDM Consulting's EcOz Environmental Services have been selected to work on the EIS for the Urquhart Point project. The BFS to be carried out by Calder Maloney Engineering during 2011. Environmental Impact Statement (EIS), bankable feasibility and metallurgical development test work will start first quarter 2011.

Urquhart Point, three kilometres southwest of Weipa, contains an Indicated Resource of 2.8Mt @ 7.0% Heavy Mineral Sand (HMS) with a high proportion of Zircon & Rutile to a maximum depth of three metres, with a further nine kilometres of coastline still to be tested, (see Figure 10).

Through its wholly owned subsidiary Oresome Australia Pty Ltd, Metallica holds 100% of the Cape York Mineral Sands Project. At this stage the project consists of four granted EPM's (Urquhart Point, Jardine, Doughboy and Jackson River 2), eight EPM Applications and one Mining Lease Application. (see Tenement Schedule).

Exploration on the project is targeting rutile and zircon in sand dunes and strandlines along the coast line near Weipa and north to the tip of Cape York Peninsula. Oresome currently holds approximately 1,500km² of highly prospective yet under-explored ground.

The valuable HMS suite is dominated by zircon and rutile, likely greater than 30% combined. The strandlines are characterised with an extremely low slimes content and minimal overburden.

There is a further nine kilometres of coastline still to be tested within the Urquhart Point tenement alone, EPM15268.

Metallica, through Oresome, is pursuing the development of the Cape York Mineral Sands Project. Discussions are underway with all affected parties

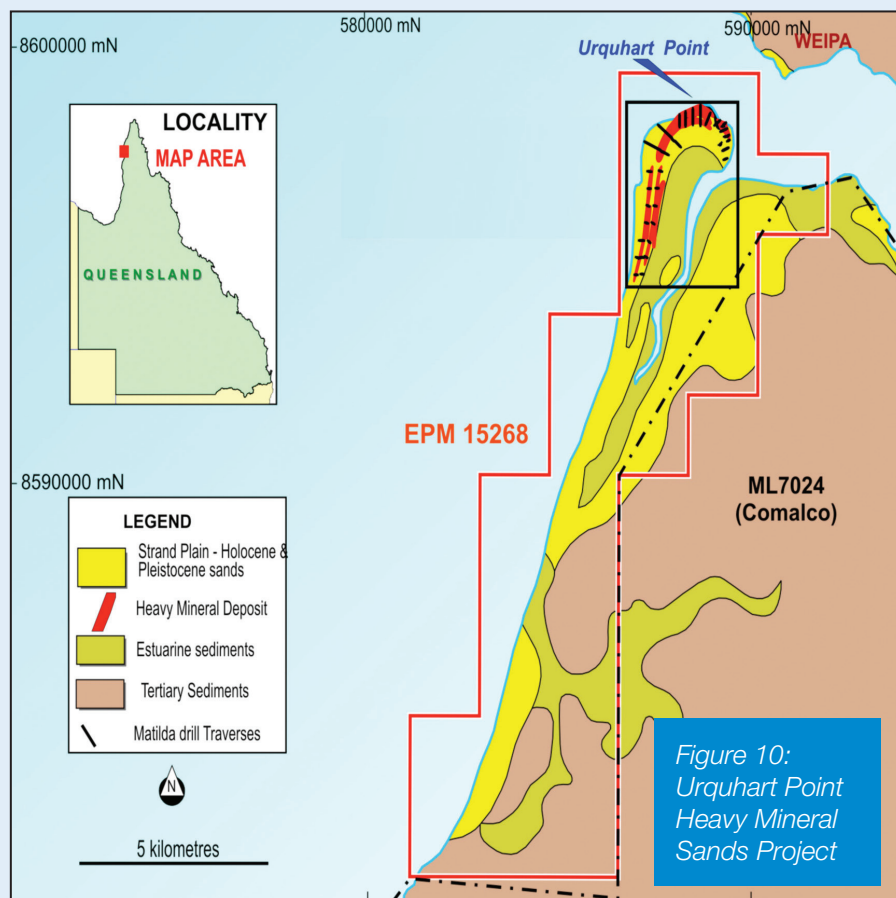


Figure 10:
Urquhart Point
Heavy Mineral
Sands Project

related to the MLA over Urquhart Point, including the Aurukun Shire Council and the Traditional Owners.

2011 will see:

- ▶ continued work on granted EPM's, the results of which will hopefully enhance the life of the project,
- ▶ preparation of an EIS over the Urquhart Point mineral sands project area (ML20669 application)
- ▶ development of a Feasibility Study in relation to the Urquhart Point mineral sands project

There is excellent potential to form a modest size high grade zircon and rutile project with relatively low capital cost to produce a zircon and rutile concentrate.

Competent Person Statement

The exploration comments have been prepared by Mr Roger Hobbs B. App. Sc. (Geophys & Geol), MAusIMM, who was previously a Director of Matilda Minerals Ltd (Oresome's former joint venture partner), who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is to be undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hobbs consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Limestone Projects

METALLICA 100%

Metallica owns seven strategically located, high quality limestone projects comprising Ootann (near NORNICO), Star and Mt Podge (near Lucky Break & Townsville), Boyne and Fairview (both near Gladstone), the Blue Rock deposit (between Minnamoolka and Kokomo) and the Craigie Limestone Project 60km SW of Greenvale. During this quarter work was primarily focused on the Fairview and Ootann projects.

OOTANN

Phoenix Lime Pty Ltd (a wholly owned subsidiary of Metallica) holds 240 hectares of mining leases covering a large high grade limestone deposit suitable for calcining and underpinning NORNICO's lime and limestone requirements. Ootann is located approximately 130km via road from the proposed NORNICO processing site. This site is currently operational, manufacturing crushed rock and limestone products for sale into the local market.

BLUE ROCK

This limestone deposit is conveniently located between NORNICO's Minnamoolka and Kokomo nickel

deposits, and approximately 60km from the proposed NORNICO nickel operation at Greenvale. It is Phoenix's intention to peg a mining lease encompassing this outcrop and survey access roads in 2011 in order to have this deposit available for Metallica's NORNICO Project.

FAIRVIEW

Fairview is being developed to supply limestone into the expanding industrial market of Gladstone when the opportunity arises. In December 2010 ML80162 was granted. This lease covers 692.8 hectares within Fairview Station. Compensation agreements are in place with landowners in readiness for development.

BOYNE

The two Boyne mining leases contain large, high quality limestone deposits suitable for lime and limestone markets in the Gladstone region. Proposed activities include a drilling program for the purpose of defining a limestone resource within the Boyne tenements.

STAR RIVER

The high grade limestone deposit at Star River occurs as a slightly elevated mostly exposed limestone deposit with little or no overburden and is only 105km from Townsville. No field work or activities have been undertaken recently.

MOUNT PODGE

The project is located 80km West of Townsville near the Herveys Range Road and close to the Star River mining lease. Results of recent drilling campaigns are encouraging, and are currently being assessed. Early indications are that the area has the potential to provide a significant high grade limestone deposit close to infrastructure.

CRAIGIE

Phoenix Lime has recently applied for EPM18253 covering 16 sub-blocks in an area highly prospective for high quality limestone. If successful, this will further underpin the limestone requirements of Metallica's NORNICO Project. Craigie is approximately 60km south west of Greenvale.



Ootann Limestone
Deposit and Limeworks

Exploration

COPPER-GOLD URANIUM | SOUTH AUSTRALIA

In 2009-10, Metallica earned a 75% interest in three tenements (see Figure 11) with attractive Iron Oxide-Copper-Gold-Uranium (IOCGU) Olympic Dam Style targets.

In addition to the joint venture agreement signed in mid 2009 with unlisted Adelaide based explorer, Sailsbury Resources Limited (Sailsbury), Metallica has also taken seed capital investment in Sailsbury with Metallica holding approximately 2M shares or approximately 8% of the total shares on issue.

The three South Australian IOCGU farm-in projects are:

1. The 188km² EL 3402 (Toby), 65km east of Oodnadatta
2. The 293km² EL 3630 (Merna Mora) 30km south-west of Hawker
3. The 1,207km² EL 4118 and EL 4119 (Lake Torrens) project, 50km east of the Carrapateena IOCGU Cu-Au deposit.

The targets have prominent coincident gravity-highs associated strong magnetic features under cover in a similar exploration setting to Olympic Dam, Carrapateena and Prominent Hill deposits (see Figure 11).

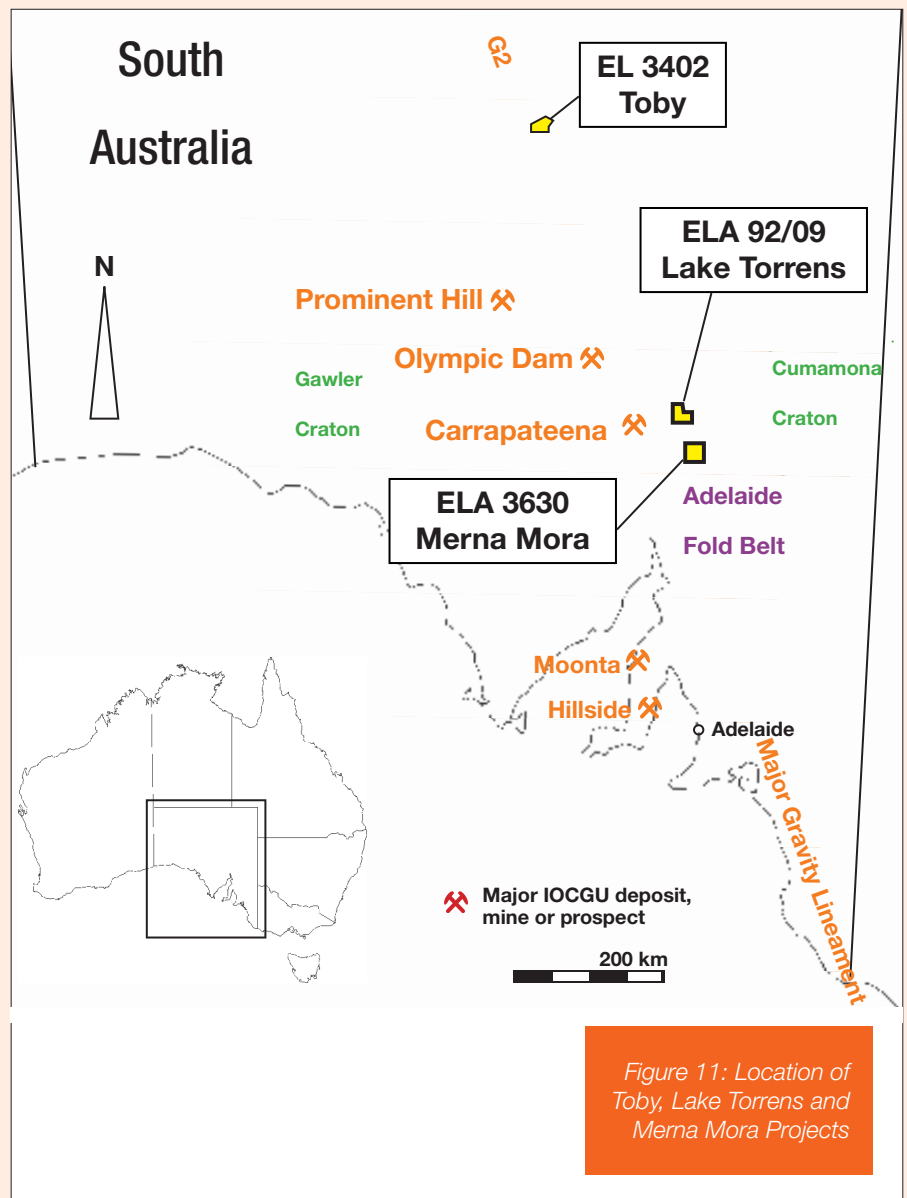
In late 2009, the first deep drill hole (TB02) was completed on the Toby gravity feature and magnetic complex.

In 2010, gravity surveys were completed on the Merna Mora and Lake Torrens IOCGU projects.

No fieldwork or significant expenditure was expended on the SA projects during the December Quarter.

Sailsbury recently prepared an IPO Prospectus to list on the ASX.

A drilling program, including cultural heritage and landowner liaison is currently being prepared on the Merna Mora (EL3630) gravity-magnetic anomaly targets with drilling planned for the now planned for the June Quarter 2011.



Tennement Schedule and Appendix 5B



Tenement Schedule

(AS AT 31 DECEMBER 2010)

NORNICO NICKEL-COBALT PROJECT – NORTH (100%)

Tenement	Project Name	Holder/Applicant	Status (Expiry date)	No. Sub Block	Commodity Targeted	Min. Annual Expenditure
ML 4187	Bell Creek North Lease	NORNICO Pty Ltd	Granted (29/2/2020)	71.35 Ha	Ni , Co	N/A
ML 4188	Bell Creek South Lease	NORNICO Pty Ltd	Granted (29/2/2020)	98.11 Ha	Ni , Co	N/A
MLA 20549	Bell Creek Consolidated	NORNICO Pty Ltd	Application	2145 Ha	Ni, Co	N/A
MDL 387	Minnamoolka	NORNICO Pty Ltd	Granted (30/6/2013)	654.26 Ha	Ni, Co	\$100,000
EPM 10235	Minnamoolka	NORNICO Pty Ltd	Granted (8/9/2011)	5	Ni , Co	\$100,000
EPM 11285	Bell Creek	NORNICO Pty Ltd	Granted (27/8/2011)	8	Ni , Co	\$50,000
EPM 14101	Mt Garnet South	NORNICO Pty Ltd	Granted (22/12/2010)	80	Ni, Co, Au, PGE	\$60,000
EPM 14518	Mt Garnet South #2	NORNICO Pty Ltd	Granted (7/3/2012)	56	Ni, Co, Au, Cu	\$60,000

NORNICO NICKEL-COBALT-SCANDIUM PROJECT – SOUTH (100%)

Tenement	Project Name	Holder/Applicant	Status (Expiry date)	No. Sub Block	Commodity Targeted	Min. Annual Expenditure
EPM 10680	Lucknow North	Greenvale Operations Pty Ltd	Granted (31/12/2010)*	3	Ni, Co, Sc	\$60,000
EPM 10866	Lucknow South	Greenvale Operations Pty Ltd	Granted (31/12/2010)*	4	Ni, Co, Sc	\$60,000
EPM 11223	Dinner Creek	Greenvale Operations Pty Ltd	Granted (31/12/2010)*	7	Ni, Co	\$61,000
MLA 10342	Kokomo	NORNICO Pty Ltd	Application	3593.07 Ha	Ni, Co, Sc	N/A
EPM 10699	Kokomo	NORNICO Pty Ltd	Granted (21/8/2013)	21	Ni, Co, Sc, Au	\$50,000
EPM 14066	Greenvale South	NORNICO Pty Ltd	Granted (22/08/2011)	48	Ni, Co, PGE	\$70,000
EPM 14070	Greenvale North	NORNICO Pty Ltd	Granted (22/08/2011)	35	Ni, Co, Cu, Au	\$70,000
EPM 14181	Lucky Downs	NORNICO Pty Ltd	Granted (22/08/2011)	18	Ni, Co, Cu	\$40,000
EPM 14381	Greenvale South #2	NORNICO Pty Ltd	Granted (14/12/2011)	15	Ni, Co, Cu	\$50,000
EPMA 17892	Lockup Well	NORNICO Pty Ltd	Application	1	Ni, Co	N/A
EPMA 17893	Broken River South	NORNICO Pty Ltd	Offered for grant	3	Ni, Co	N/A
EPM 18175	Pinnacles Consolidated	NORNICO Pty Ltd	Granted (22/2/2015)	21	Ni, Co	\$50,000

Tenement Schedule

LUCKY BREAK NICKEL PROJECT (100%) – SUBJECT TO 50/50 JOINT VENTURE WITH MFC

Tenement	Project Name	Holder/Applicant	Status (Expiry date)	No. Sub Block	Commodity Targeted	Min. Annual Expenditure
ML 10324	Dingo Dam	NORNICO Pty Ltd	Granted (28/02/2026)	36.17 Ha	Ni	N/A
ML 10332	Lucky Break	NORNICO Pty Ltd	Granted (30/11/2027)	241.7 Ha	Ni	N/A

GOLD & BASE METALS (100%)

Tenement	Project Name	Holder/Applicant	Status (Expiry date)	No. Sub Block	Commodity Targeted	Min. Annual Expenditure
EPM 13873	Six Mile	NORNICO Pty Ltd	Granted (10/12/2011)	31	Tungsten, Molybdenum, Gold, Copper	\$70,000

LIMESTONE PROJECTS (100%)

Tenement	Project Name	Holder/Applicant	Status (Expiry date)	No. Sub Block	Commodity Targeted	Min. Annual Expenditure
ML 10276	Star River Limestone	Metallica Minerals Ltd	Granted (30/4/2023)	18.54 Ha	Limestone	N/A
ML 80131	Boyne Limestone NE	Metallica Minerals Ltd	Granted (30/4/2027)	54.40 Ha	Limestone	N/A
ML 80132	Boyne Limestone SW	Metallica Minerals Ltd	Granted (30/9/2027)	52.70 Ha	Limestone	N/A
EPM 13423	Boyne Limestone	Metallica Minerals Ltd	Granted (1/1/2011)	4	Limestone	\$15,000
EPM 17018	Mt Podge	Phoenix Lime Pty Ltd	Granted (12/2/2014)	4	Limestone	\$25,000
EPMA 18253	Craigie	Phoenix Lime Pty Ltd	Application	16	Limestone	N/A
EPMA 18761	Fairview	Metallica Minerals Ltd	Offered for grant	6	Limestone	N/A
MDL 394	Fairview	Metallica Minerals Ltd	Granted (31/8/2014)	776.6 Ha	Limestone	Nil
MDLA 440	Fairview	Metallica Minerals Ltd	Application	692.8 Ha	Limestone	Nil
MLA 80162	Fairview	Metallica Minerals Ltd	Application	692.8 Ha	Limestone	N/A
ML 4788	Crotty 1	Phoenix Lime Pty Ltd	Granted (31/1/2026)	2.023 Ha	Limestone	N/A
ML 4789	Crotty 2	Phoenix Lime Pty Ltd	Granted (31/1/2026)	2.023 Ha	Limestone	N/A
ML 5079	Crotty	Phoenix Lime Pty Ltd	Granted (30/4/2025)	25.95 Ha	Limestone	N/A
ML 5372	Crotty 3	Phoenix Lime Pty Ltd	Granted (31/1/2013)	210 Ha	Limestone	N/A

Tenement schedule

MINERAL SANDS: ZIRCON-RUTILE (100%)

Tenement	Project Name	Holder/Applicant	Status (Expiry date)	No. Sub Block	Commodity Targeted	Min. Annual Expenditure
MLA 20669	Urquhart Point	Oresome Australia Pty Ltd	Application	366.07 Ha	Rutile, Zircon, HMA	N/A
EPM 15268	Urquhart Point	Oresome Australia Pty Ltd	Granted (24/10/2012)	24	Rutile, Zircon, HMS	\$30,000
EPMA 15370	Jackson River	Oresome Australia Pty Ltd	Offered for grant	3	Rutile, Zircon, HMS	N/A
EPM 15371	Doughboy	Oresome Australia Pty Ltd	Granted (28/9/2014)	16	Rutile, Zircon, HMS	\$15,000
EPM 15372	Jardine	Oresome Australia Pty Ltd	Granted (28/9/2014)	45	Rutile, Zircon, HMS	\$15,000
EPM 18015	Jackson River #2	Oresome Australia Pty Ltd	Granted (18/10/2015)	14	Rutile, Zircon, HMS	N/A
EPMA 18377	Sandman #1	Oresome Australia Pty Ltd	Offered for grant	63	Rutile, Zircon, HMS	N/A
EPMA 18737	Sandman #3	Oresome Australia Pty Ltd	Application	126	Rutile, Zircon, HMS	N/A
EPMA 18738	Sandman #2	Oresome Australia Pty Ltd	Application	122	Rutile, Zircon, HMS	N/A
EPMA 18739	Sandman #4	Oresome Australia Pty Ltd	Application	125	Rutile, Zircon, HMS	N/A

Note:

All tenements 100% held unless expressed otherwise

(*) Renewal pending

PGE = Platinum Group Elements

HMS = Heavy Mineral Sands

EPM = Exploration Permit for Minerals

EPMA = Application for Exploration Permit for Minerals

ML = Mining Lease

MLA = Application for Mining Lease

MDL = Mineral Development Licence

MDLA = Mineral Development Licence Application

MFC = Metals Finance Ltd

**A Queensland multi-commodity
resource development company,
with direct major interests in nickel-
cobalt, scandium, zircon-rutile and
limestone, plus strategic investments
in coal, bauxite, tungsten, copper,
gold and rare earth elements**



Appendix 5B

MINING EXPLORATION ENTITY QUARTERLY REPORT

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity	
Metallica Minerals Limited	
ABN	Quarter ended ("current quarter")
45 076 696 092	December 31, 2010

CONSOLIDATED STATEMENT OF CASH FLOW

	Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	15	106
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(1,005) (0) (622)	(1,954) (52) (1,150)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	79	161
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(1,533)	(2,889)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects (b) equity investments - Shares in Salisbury Resources Limited and East West Corporation - Shares in Orion Metals Limited - Shares in Planet Metals Limited (c) other fixed assets	- - - - -	- - - - -
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- 1,000 -	- 1,000 -
1.10	Loans to other entities – Orion Metals Limited	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material) -Loan and IPO costs Metrocoal	-	-
	Net investing cash flows	1,000	1,000
1.13	Total operating and investing cash flows (carried forward)	(533)	(1,889)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-

	Net financing cash flows (brought forward)	-	-
	Net increase (decrease) in cash held	(533)	(1,889)
1.20	Cash at beginning of quarter/year to date	5,733	7,089
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	5,200	5,200

PAYMENTS TO DIRECTORS OF THE ENTITY AND ASSOCIATES OF THE DIRECTORS**PAYMENTS TO RELATED ENTITIES OF THE ENTITY AND ASSOCIATES OF THE RELATED ENTITIES**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	258
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil
1.25	Explanation necessary for an understanding of the transactions	Nil

NON-CASH FINANCING AND INVESTING ACTIVITIES

		Current quarter \$A'000
2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows	Nil
2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest	Nil

FINANCING FACILITIES AVAILABLE

Add notes as necessary for an understanding of the position

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

ESTIMATED CASH OUTFLOWS FOR NEXT QUARTER

		\$A'000
4.1	Exploration and evaluation	1,100
4.2	Development - care and maintenance	-
4.3	Production	-
4.4	Administration	400
	Total	1,500

RECONCILIATION OF CASH

	Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows	Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	285	883
5.2	Deposits at call	4,915	4,850
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of Quarter (item 1.22)	5,200	5,733

CHANGES IN INTERESTS IN MINING TENEMENTS

		Tenement reference	Nature of interest (note 2)	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	EPM 15198 EPM 14273 EPMA 18737 EPMA 18738 EPMA 18739	EPM EPM EPMA - reduced EPMA - reduced EPMA - reduced	EPM EPM EPMA EPMA EPMA	Nil Nil EPMA EPMA EPMA
6.2	Interests in mining tenements acquired or increased	ML 80162 EPM 18015 EPMA 18998 EPMA 19001 EPMA 18999	ML EPM EPMA EPMA EPMA	MLA EPMA Nil Nil Nil	ML EPM EPMA EPMA EPMA

ISSUED AND QUOTED SECURITIES AT END OF CURRENT QUARTER

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference + securities (description)	Nil			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil			
7.3	*Ordinary securities	117,331,202	117,331,202		
7.4	Changes during quarter (a) Increases through issues Escrow Release (b) Decreases through returns of capital, buy-backs	Nil			
7.5	*Convertible debt securities (description)	Nil			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil			
7.7	Options (description and conversion factor)	2,400,000 Unlisted Options 2,500,000 Unlisted Options 1,100,000 Unlisted Options	Nil Nil Nil	<i>Exercise price</i> 35 cents 35 cents 65 cents	<i>Expiry date</i> 12 February 2012 (only vest if still employed on 12 February 2011) 31 May 2012 (only vest if still employed on 31 May 2011) 28 September 2012

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	500,000 Unlisted Options	Nil	80 cents	31 December 2010
		500,000 Unlisted Options	Nil	35 cents	31 May 2012 (only vest if still employed on 31 May 2011)
7.11	Debentures (totals only)	Nil			
7.12	Unsecured notes (totals only)	Nil			

COMPLIANCE STATEMENT

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

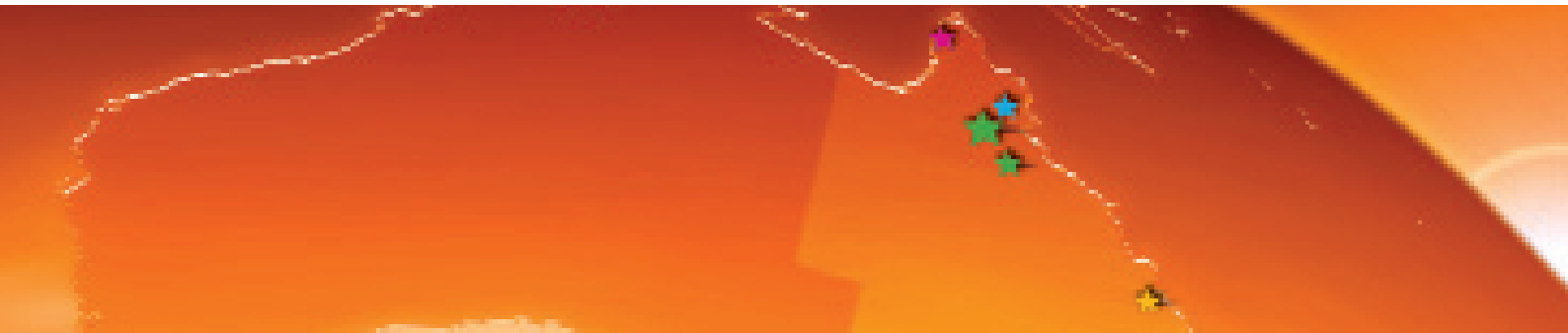
Sign here:..........Date: January 31, 2011

(Director/Company secretary)

Print name: JOHN KEVIN HALEY

NOTES

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 Issued and quoted securities The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.



A Queensland focused multi-commodity
resource development company

ASX:MLM

Subsidiary companies:

NORNICO Pty Ltd ACN 065 384 045

Oresome Australia Pty Ltd ACN 071 762 484

Lucky Break Operations Pty Ltd ACN 126 272 580

MetroCoal Limited ABN 45 117 763 443

Phoenix Lime Pty Ltd ACN 096 355 761

Greenvale Operations Pty Ltd ACN 139 136 708

Scandium Pty Ltd ACN 138 608 894