

**METALLICA MINERALS LIMITED  
AND CONTROLLED ENTITIES**

**ACN 076 696 092**

**FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2010**

**METALLICA MINERALS LIMITED  
AND CONTROLLED ENTITIES  
ACN 076 696 092**

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**CORPORATE GOVERNANCE STATEMENT**

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the ASX Best Practice Recommendations in the reporting period. These recommendations are guidelines designed to produce an efficiency, quality or integrity outcome. The recommendations are not prescriptive so that if a company considers that a recommendation is inappropriate having regard to its own circumstances, the company has the flexibility not to follow it. Where a company has not followed all the recommendations, the annual report must identify which recommendations have not been followed and give reasons for not following them.

A table has been included at the end of this statement which sets out the ASX Best Practice Recommendations and states whether the Company has complied with each recommendation in the reporting period. Where the Company considered it was not appropriate to comply with a particular recommendation the reasons are set out in the notes referenced in the table. A full copy of the Company's Corporate Governance Charter is available on the Company's website at [www.metallicaminerals.com.au](http://www.metallicaminerals.com.au)

**Role of the Board**

Generally, the powers and obligations of the Board are governed by the *Corporations Act* and the general law. Without limiting those matters, the Board expressly considers itself responsible for the following:

1. Ensuring compliance with the *Corporations Act*, ASX Listing Rules (where appropriate) and all relevant laws;
2. Developing, implementing and monitoring operational and financial targets for the Company;
3. Appointment of appropriate staff, consultants and experts to assist in the Company's operations specifically, including the selection and monitoring of a chief executive officer or Managing Director;
4. Ensuring appropriate financial and risk management controls are implemented;
5. Approving and monitoring financial and other reporting;
6. Setting, monitoring and ensuring appropriate accountability for directors' and executive officers' remuneration;
7. Establishing and maintaining communications and relations between the Company and third parties, including its shareholders and ASX by delegating such a role to the Managing Director;
8. Implementing appropriate strategies to monitor performance of the Board in implementing its functions and powers;
9. Oversight of the Company including its framework of control and accountability systems to enable risk to be assessed and managed;
10. Appointing and removing the chief executive officer and/or Managing Director;
11. Ratifying the appointment and, where appropriate, removal of the Chief Financial Officer and the Company Secretary;
12. Input into and final approval of the management's development of corporate strategy and performance objectives;
13. Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
14. Monitoring senior management's performance, implementation of strategy and ensuring appropriate resources are available;
15. Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
16. Approval of the annual budget;
17. Monitoring the financial performance of the Company;
18. Liaising with the Company's external auditors;
19. Monitoring, and ensuring compliance with, all of the Company's legal obligations;
20. Approving and monitoring financial and other reporting;
21. Appointing and overseeing Committees where appropriate to assist in the above functions and powers.

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**Role of Management**

The Board has delegated responsibilities and authorities to the Managing Director to enable him to conduct the Company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits or do not form part of the approved budget, require Board approval. An evaluation of the performance of senior management during the Financial Year, being the two executive Directors, will be undertaken at a Board Meeting of the Company by the three non-executive Directors, with the Chairman then discussing this review separately with each of the Executives. This is considered to be an appropriate process as the company is in the exploration and evaluation stage therefore it is not possible to evaluate performance against revenue or profit targets.

**Board Processes**

The Board of Metallica Minerals Limited meets on a regular basis. The agenda for these meetings is prepared by the Managing Director and Company Secretary in conjunction with the directors. Relevant information is circulated to Board members in advance of the meetings.

**Composition of the Board**

At the date of this report the Board comprises two executive directors and three non-executive directors, one of whom is Chairman and an independent director.

Director	Appointed	Non-Executive	Independent	Retiring at 2010 AGM	Seeking re-election at 2010 AGM
A Gillies	15 January 1997	No	No	No	N/A
D Barwick	11 March 2004	Yes	Yes	Yes	Yes
S Wu	12 May 2009	Yes	No	No	N/A
J Haley	22 December 2003	No	No	No	N/A
P Nicholson	11 May 2006	Yes	No	Yes	No

The Directors are subject to re-election by shareholders. All Directors, apart from the Managing Director, are subject to re-election by rotation within every three years. The Company's Constitution provides that one-third of the Directors retire by rotation each AGM. Those Directors who are retiring may submit themselves for re-election by shareholders, including any Director appointed to fill a casual vacancy or recruited since the date of the last AGM.

The current Directors have a broad range of qualifications, experience and expertise in managing mineral exploration companies as set out in the Directors section of the Directors' Report.

**Independence of Non-Executive Directors**

The board considers an independent director to be a non-executive director who meets the criteria for independence included in the ASX Best Practice Recommendations. The Board considers that David Barwick meets these criteria.

**Director Access to Independent Professional Advice**

The Company acknowledges that Directors require high quality information and advice on which to base their decisions and considerations. With the prior approval of the Chairman, all Directors have the right to seek independent legal and other professional advice at the company's expense concerning any aspect of the company's operations or undertakings in order to fulfil their duties and responsibilities as directors. If the Chairman is unable or unwilling to give approval, Board approval will be sufficient.

**Company Materiality Threshold**

The Board acknowledges that assessment on materiality and subsequent appropriate thresholds are subjective and open to change.

The Board has considered quantitative, qualitative and cumulative factors when determining the materiality of a specific relationship of directors.

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**CORPORATE GOVERNANCE STATEMENT**

**Ethical Standards**

As part of the Board's commitment to the highest standard of conduct, the Company adopts a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- responsibilities to shareholders;
- compliance with laws and regulations;
- relations with customers and suppliers;
- ethical responsibilities;
- employment practices; and
- responsibility to the environment and the community.

**Board Committees**

As at the date of this report, the Company does have an Audit Committee but does not have a Nomination or Remuneration Committee of the Board of Directors. The full Board of Directors undertake the role of these two individual committees. Given the composition of the Board and the size of the Company, it is felt that individual committees are not yet warranted, however it is expected that as the Company's operations expand that each of these committees will be established.

**Continuous Disclosure and Shareholder Communication**

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market. In accordance with continuous disclosure requirements under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner. All information disclosed to the ASX is posted on the company's website [www.metallicaminerals.com.au](http://www.metallicaminerals.com.au).

Shareholders are forwarded documents if requested relating to each Annual General Meeting, being the Annual Report, Notice of Meeting and Explanatory Memorandum and Proxy Form, and are invited to attend these meetings. The Company's External Auditor is also present at Annual General Meetings to answer any queries shareholders may have with regard to the audit and preparation and content of the Audit Report.

The Company actively encourages shareholders to provide their email contact details so that they can receive all ASX releases as they are released to the market.

**Managing Business Risk**

The Board constantly monitors the operational and financial aspects of the company's activities and is responsible for the implementation and ongoing review of business risks that could affect the Company. Duties in relation to risk management that are conducted by the Directors include but are not limited to:

- initiate action to prevent or reduce the adverse effects of risk;
- control further treatment of risks until the level of risk becomes acceptable;
- identify and record any problems relating to the management of risk;
- initiate recommend or provide solutions through designated channels;
- verify the implementation of solutions;
- communicate and consult internally and externally as appropriate; and
- to inform investors of material changes to the company's risk profile.

Ongoing review of the overall risk management program (inclusive of the review of adequacy of treatment plans) is conducted by external parties where appropriate.

The board ensures that recommendations made by the external parties are investigated and, where considered necessary, appropriate action is taken to ensure that the company has an appropriate internal control environment in place to manage the key risks identified.

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During the previous financial year the Company reviewed its risk management procedures and considered the "Guide for small-mid market capitalised companies on Principle 7: Recognise and Manage Risk" released under the ASX Markets Supervision Education and Research Program when updating its risk management processes designed to manage and report on the management of the Company's material business risks. The review process resulted in the completion of an updated Risk Management Policy, Risk Register and a Risk Management Framework which forms the basis of the risk management and internal control system to manage the Company's material business risk and report to it on whether those risks are being managed effectively. The Risk Register identified risk in the broad categories of operations management, asset management, environment, compliance/financial reporting, strategic management, ethical conduct, reputation, occupational health and safety/human resources, IT/technology, finance/business continuity, tenements/resource statements and stakeholder communications. A copy of the Risk Management Policy is publicly available on the Company's web site at [www.metallicaminerals.com.au](http://www.metallicaminerals.com.au)

The Board has required management to design and implement a risk management and internal control system to manage the group's material business risks. After considering the "Guide for small-mid market capitalised companies on Principle 7: Recognise and Manage Risk" released under the ASX Markets Supervision Education and Research Program, the Company has recently updated its Risk Management Policy and Risk Management Framework and have identified the material business risks affecting the Company and has delegated responsibilities for those material business risks to senior staff members.

The Board has received reports from management as to the effectiveness of the company's management of its business risks. The Company has a number of mechanisms in place to ensure that the management regularly reports on matters relating to risks. The reports by management to the Board have been provided under the former system of risk management and internal control.

The Board requires management to report to it on whether material business risks are being managed effectively. As the Company has recently updated its Risk Management Framework, Risk Management Policy and procedures the Board has yet to receive reports from management as to the effectiveness of the company's updated system for managing its material business risk. However an independent review of risks by Marsh Insurance brokers was carried out during the year ended 30 June 2009 also.

In accordance with section 259A of the Corporations Act 2001, the Managing Director and Chief Financial Officer have provided a declaration to the Board that:

- In their view information provided in the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- The Company's risk management and internal compliance and control system is operating effectively in all material respects.

It is noted that the assurance from the Managing Director and Chief Financial Officer can only be reasonable and not absolute due to the level of judgement required, the limitations of sampling and the difficulty in designing systems to detect all weaknesses in internal control procedures.

**Board Performance Evaluations**

An evaluation of the Board's performance is undertaken annually by the Board.

**Trading Policy**

The company's policy regarding directors and employees trading in its securities is set out in the Company's Corporate Governance Manual. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices, and in addition requires any Director or employee proposing to trade in the Company's shares to advise the Chairman, and not to trade unless the Chairman advises there is no material information not yet released to the market nor no other reason not to trade.

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**ASX Best Practice Recommendations**

The table below contains each of the ASX Best Practice Recommendations. Where the Company has complied with a recommendation during the reporting period, this is indicated with a "Yes" in the appropriate column and the policy is contained in the Company's Corporate Governance Charter available on the Company's website at [www.metallicaminerals.com.au](http://www.metallicaminerals.com.au). Where the Company considered it was not appropriate to comply with a particular recommendation, this is indicated with a "No" and the Company's reasons are set out in the corresponding note at the end of the table.

	<b>Description</b>	<b>Complied</b>	<b>Note</b>
1.1	Formalise and disclose the functions reserved to the Board and those delegated to senior executives. These functions are set out under Role of the Board and Role of Management in this Statement.	Yes	
1.2	Disclose the process for evaluating the performance of senior executives.	Yes	
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	Yes	
2.1	A majority of the Board should be independent directors	No	2
2.2	The Chairperson should be an independent director.	Yes	
2.3	The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.	Yes	
2.4	The Board should establish a Nomination Committee.	No	2, 4
2.5	Disclose the process for evaluating the performance of its Board, committees and individual directors	No	3
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	Yes	
3.1	Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent) and any other key executives as to:		
3.1.1	the practices necessary to maintain confidence in the Company's integrity;	Yes	
3.1.2	the practices necessary to take into account legal obligations and reasonable expectations of stakeholders;	Yes	
3.1.3	the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	
3.2	Establish and disclose the policy concerning trading in company securities by Directors, Officers and Employees.	Yes	
3.3	Provide the information indicated in the Guide to reporting on Principle 3.	Yes	
4.1	The Board should establish an Audit Committee.	Yes	
4.2	Structure the Audit Committee so that it consists of:		
	• only Non-Executive Directors	No	2
	• a majority of Independent Directors	No	
	• an independent Chairperson, who is not chairperson of the Board	No	4
	• at least three members.	Yes	
4.3	The Audit Committee should have a formal charter.	Yes	
4.4	Provide the information indicated in the Guide to reporting on Principle 4	Yes	
5.1	Establish and disclose written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements to ensure accountability at a senior executive level for that compliance.	Yes	
5.2	Provide the information indicated in the guide to reporting on Principal 5.	Yes	
6.1	Design and disclose a communication strategy to promote effective communication with the shareholders and encourage effective participation at general meetings -refer to Continuous Disclosure and Shareholder Communication as set out above.	Yes	
6.2	Provide the information indicated in the Guide to reporting on Principal 6.	Yes	

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	<b>Description</b>	<b>Complied</b>	<b>Note</b>
7.1	Establish and disclose policies for oversight and management of material business risks.	Yes	
7.2	Design and implement risk management and internal control systems to manage and report on material business risks. Disclose reporting as to effectiveness of management of material business risks	Yes	
7.3	Disclose whether the Board has received assurance from Chief executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	
7.4	Provide the information indicated in the Guide to reporting on Principle 7.	Yes	
8.1	Establish a Remuneration Committee.	No	2
8.2	Clearly distinguish the structure of Non-Executive Directors remuneration from that of Executive Directors and Senior Executives.	No	2
8.3	Provide the information indicated in the Guide to reporting on principle 8.	Yes	

**Notes**

1. The Company has compiled relevant corporate governance documentation, such as charters, codes of conduct, and policies, which have been placed on the Company's website at [www.metallicaminerals.com.au](http://www.metallicaminerals.com.au) under the heading "Corporate Governance".
2. As at the date of this report, the Company does not have a Remuneration or Nomination Committee of the Board of Directors, and does not have a majority of independent Directors. The full Board of Directors undertake the role of the individual committees. Given the composition of the Board and the size of the Company, it is felt that individual Remuneration and Nomination committees are not yet warranted, and a majority of independent Directors is not achievable, however it is expected that as the Company's operations expand that each of these committees will be established and if possible the Company will increase the number of independent Directors.
3. There is no formal policy on the selection of Directors as this is done on a case by case basis by the Board acting as the Nomination Committee. The remuneration of all Directors and key management personnel is as set out in the Remuneration Report in the Directors Report.
4. The Chairman of the Company is also Chairman of the audit committee as he is deemed to be the only available non-executive director with the appropriate accounting experience to undertake the position.

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**DIRECTORS' REPORT**

Your directors present their report on the Economic Entity consisting of Metallica Minerals Limited and the entities it controlled at the end of, or during the year ended 30 June 2010.

**1. THE DIRECTORS**

The following persons were directors of the Company during the financial year and up to date of this report:

**David Barwick-Age 66**

Qualifications	—	N/A
Experience and other Directorships in listed entities	—	Appointed Chairman and Board member on 11 March 2004. Chairman of <ul style="list-style-type: none"><li>• Manaccomm Corporation Limited-appointed 28/8/2006-Continuing</li><li>• Planet Metals Limited -appointed 9 June 2009-Continuing</li><li>• Orion Metals Limited -appointed 28 November 2008 -Continuing</li><li>• MetroCoal Limited -appointed 6 January 2006 -Continuing</li></ul> 190,000 Ordinary Shares in Metallica Minerals Ltd and options to acquire a further 500,000 ordinary shares
Interest in Shares and Options	—	190,000 Ordinary Shares in Metallica Minerals Ltd and options to acquire a further 500,000 ordinary shares
Special Responsibilities	—	Chairman of the Audit Committee
Directorships formerly held in other listed entities	—	Previous Director of <ul style="list-style-type: none"><li>• International Gold Mining Limited-appointed 15/08/2006-Resigned 31 August 2007</li><li>• Morningstar Holdings (Australia) Limited-appointed 12/10/2006-Resigned 30/08/2007</li><li>• Global Approach Limited-Appointed 29/11/1996- Resigned 26/10/2007.</li><li>• Cape Alumina Limited-appointed 2 February 2004-Resigned 29 January 2009</li><li>• Macarthur Minerals Limited (TSX-V)-Appointed 24/10/2005- Ceased 31 August 2009</li></ul>

**Andrew Gillies-Age 47**

Qualifications	—	Bachelor of Science (Geology), MAusIMM
Experience	—	Appointed Director on 15 January 1997
Interest in Shares and Options	—	8,870,000 Ordinary Shares in Metallica Minerals Ltd and options to acquire a further 1,350,000 ordinary shares
Special Responsibilities	—	Managing Director, Member of Audit Committee
Directorships held in other listed entities	—	Planet Metals Limited -appointed 9 June 2009-Continuing Orion Metals Limited -appointed 28 November 2008 --Continuing MetroCoal Limited -appointed 6 January 2007 -Continuing Cape Alumina Limited-appointed 2 February 2004-Continuing

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**DIRECTORS' REPORT**

<b>Wu Shu-Age 44</b>	— <b><i>Non Executive Director (appointed 12 May 2009)</i></b>
Qualifications	— N/A
Experience	— Appointed Director on 12 May 2009
Interest in Shares and Options	— Wu Shu is a Director of Jien Mining Pty. Ltd which holds 22,854,462 shares in Metallica Minerals Limited. Mr Tao Li as alternate director to Mr Wu Shu holds 500,000 options to acquire shares in Metallica Minerals Limited.
Special Responsibilities	— Nil
Directorships held in other listed entities	— Chairman and Director of Jien Nickel Industry Co. Ltd., listed on Shanghai Stock Exchange - appointed September 2003; — Director of Liberty Mines Inc. listed on TSX, Canada - appointed July 2009 .
Directorships formerly held in other listed entities	— Nil
<b>Peter Nicholson-Age 35</b>	— <b><i>Non Executive Director</i></b>
Qualifications	— Bachelor of Engineering (Mining), Graduate Diploma in Applied Finance and Investment, F Fin, MAusImm, GAICD.
Experience	— Appointed Director on 11 May 2006
Interest in Shares and Options	— Peter Nicholson is a Director of Resource Capital Funds Management Pty. Ltd, which is the Manager of Resource Capital Fund III and IV L.P. which together hold 7,203,532 shares in Metallica Minerals Limited. Resource Capital Funds Management Pty. Ltd holds 500,000 options to acquire shares in Metallica Minerals Limited.
Special Responsibilities	— Member of Audit Committee
Directorships held in other listed entities	— Cape Alumina Limited-appointed 17 March 2007-Continuing
<b>John Haley-Age 48</b>	— <b><i>Executive Director, Company Secretary, Chief Financial Officer</i></b>
Qualifications	— Bachelor of Commerce, MBA, GradCert (Marketing), Grad Dip CSP, FCA, FFINA, FTIA
Experience	— Appointed Company Secretary on 16 October 2003 and Director on 22 December 2003.
Interest in Shares and Options	— 100,000 Shares in Metallica Minerals Ltd and Options to acquire a further 750,000 ordinary shares
Special Responsibilities	— Company Secretary and Chief Financial Officer
Directorships held in other listed entities	— MetroCoal Limited -appointed 6 January 2006 -Continuing
<b>Tao Li – Age 55</b>	— <b><i>Alternate Director to Wu Shu (appointed 12 May 2009)</i></b>
Qualifications	— PhD in Mining Engineering
Experience	— Appointed Alternate Director on 12 May 2009.
Interest in Shares and Options	— 500,000 options to acquire shares in Metallica Minerals Ltd
Special Responsibilities	— Nil
Directorships held in other listed entities	— Director of Liberty Mines Inc. listed on TSX, Canada, appointed March 2010 and Director/Principal of TL Geotechnics and Mining Pty Ltd, a private advisory company.

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**DIRECTORS' REPORT**

**2. PRINCIPAL ACTIVITIES OF THE ECONOMIC ENTITY**

The principal activities of the economic entity during the course of the financial year were in mineral exploration, evaluation and in progressing development of its various mineral projects.

**3. OPERATING RESULTS**

The loss of the economic entity for the year was \$3,822,394 (30 June 2009: profit of \$2,578,402). This included non-cash items of \$227,178 (30 June 2009: \$329,720) for option expense. As at 30 June 2010, the economic entity had liquid instruments of over \$16 million with total current liabilities of approximately \$1.8 million.

The economic entity's strategy for future years is to continue the exploration, evaluation and development of its mineral projects, and to sell or joint venture non-core assets. The economic entity believes its future strategy is achievable.

**4. DIVIDENDS**

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend since 30 June 2010 and to the date of this report.

**5. REVIEW OF ACTIVITIES**

A review of activities of the economic entity during the financial year is set out in the section entitled "Activities Review" in the Economic Entity's Annual Report.

**6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

During the year, MetroCoal Limited, in which Metallica Minerals Limited holds approximately 56% of the issued capital at 30 June 2010, listed on the Australian Securities Exchange.

MetroCoal also entered into a Joint Venture Agreement (JVA) with China Coal Import & Export Company (CCIEC), a wholly owned subsidiary of China National Coal Group Corp (China Coal). Under the terms of the Agreement, CCIEC has acquired a 51% interest in MetroCoal's EPC 1165 Columboola in the Surat Basin, Queensland (Figure 2) for an agreed expenditure commitment of AUD\$30 million on EPC 1165. The funds will be used for exploring and evaluating the potential for future commercialisation options within the Columboola tenement and also opens up the opportunity for participation in MetroCoal's other tenements. The Columboola JVA requires a minimum expenditure of \$4 million within the first two years of the agreement.

The Parent Company acquired the Greenvale and Lucknow tenements for \$650,000 cash and 3.33 million shares in the Company.

The Parent Company also entered into an Agreement with Resource Capital Funds III and IV ("RCF") whereby RCF exchanged 7.74 million of its shares in Metallica for approximately 3.9 million shares in Cape Alumina Limited (Cape Alumina) (ASX-CBX) which were held by Metallica. The effect of the agreement was that:

- Resource Capital Funds interest in Metallica was reduced from 12.28% to 6.3%,
- Metallica's Share Capital was reduced by 6.4% thereby increasing the interest of the remaining shareholders in the Company,
- Metallica's interest in Cape Alumina Limited was reduced from approximately 32.9% to 29.9%, and
- Resource Capital Funds interest in Cape Alumina was increased from 22.1 % to approximately 25.1%.

The 7.74 million shares bought back from RCF by Metallica were subsequently cancelled.

Other than the above, there have been no significant changes in the state of affairs of the economic entity during the year other than that referred to in the Financial Report or notes thereto.

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**DIRECTORS' REPORT**

**7. EVENTS SUBSEQUENT TO BALANCE DATE**

On 18 June 2010, Planet Metals Limited, in which Metallica Minerals Limited holds approximately 76% of the issued capital at 30 June 2010, entered into a Heads of Agreement ("HOA") with Tropical Metals Pty. Ltd to sell the company's 100% shareholding in Wolfram Camp Mining Pty. Ltd for \$8 million. Wolfram Camp Mining Pty. Ltd holds 85% of the Wolfram Camp project tenements and assets, and is earning an interest in the Bamford Hill tenements. On 15 September 2010, a Share Sale Agreement was signed with Tropical Metals Pty Ltd for a total sale price (including deposits) of \$7.9 million.

Tropical Metals has completed due diligence and paid a total of \$400,000 in deposits. Completion of the transaction is now expected to occur on or before 60 days from 15 September 2010. A condition of the transaction requires a meeting of Planet Metals Shareholders to be held to approve the sale of the shares it holds in Wolfram Camp Mining Pty Ltd (Shareholder Approval). Planet Metals Limited receiving Shareholder Approval to the transaction is the remaining condition of the Share Sale Agreement. Planet Metals' major shareholder, which is the Parent Entity, Metallica Minerals Limited (76%) has provided the Planet Metals' Chairman with an irrevocable proxy to vote in favour of the transaction at a shareholders' meeting which will be held on 22 October 2010.

Planet Metals Limited has also proposed a capital return of 7 cents per share which will be voted on at the same meeting of Planet Metal Shareholders on 22 October 2010. Should this capital return be approved, approximately \$3.1 million will be returned to Metallica Minerals Limited.

Assuming completion of this transaction, Planet Metals will be in a very strong financial position to progress its 100% owned Mount Cannindah copper-gold project and review additional growth opportunities as they arise.

Since balance date, MetroCoal Limited has confirmed that China Coal has received approvals from the Chinese Government's National Development Reform Commission (NDRC), Ministry of Commerce and The State Administration of Foreign Exchange for China Coal's \$30 million joint venture agreement with the company. These Chinese Government agency approvals were required before the joint venture begins. MetroCoal Limited also announced that indicative approval has been received from the Queensland Department of Employment, Economic Development and Innovation (DEEDI) for the assignment of 51% of EPC 1165, Columboola.

MetroCoal announced interim results of its 2010 initial drilling program, with the Bundi underground inferred coal resource increasing significantly from 58 Mt to 292 Mt, and also announced a maiden resource of 156 Mt for its Norwood project area.

MetroCoal Limited also announced that it has signed an agreement with an Australian entity holding a 100% interest in Indonesian coal exploration project areas. MetroCoal Limited has invested \$130,000 and will hold twenty per cent of the expanded capital of this entity and has an option to increase this holding to 51% after completion of further due diligence.

Except for the above no matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

- a) the economic entity's operations in the future financial years; or
- b) the results of those operations in future financial years; or
- c) the economic entity's state of affairs in future financial years.

**8. LIKELY DEVELOPMENTS**

During the 2010/2011 financial year and onwards the Company plans to actively continue the exploration and evaluation of the NORNICO nickel project and undertake feasibility studies on the processing of nickel cobalt laterites and scandium. The Company also intends to continue its exploration and evaluation programmes, including through its 76% owned subsidiary, Planet Metals Limited, and with its joint venture partners, Straits Resources Limited (Kokomo and Lucknow Scandium), and Metals Finance Corporation (Lucky Break Nickel Project).

Further information on likely developments in the operations of the economic entity and the expected results of operations have not been included in the financial report because the directors believe it would be likely to result in unreasonable prejudice to the economic entity.

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**DIRECTORS' REPORT**

**9. ENVIRONMENTAL REGULATIONS**

The economic entity is subject to environmental regulations under laws of Queensland where it holds mineral exploration and mining tenements. During the financial year the economic entity's activities recorded no non-compliance issues.

**10. SHARES UNDER OPTION**

Unissued ordinary shares of the Company under option at 30 June 2010 are as follows:

<b>Date options granted</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number under option</b>
29 September 2007	28 September 2012	65 cents	1,100,000
23 November 2007	31 December 2010	80 cents	500,000
12 February 2010	12 February 2012	35 cents	2,400,000
31 May 2010	31 May 2012	35 cents	3,000,000
			<hr/> 7,000,000

No option holder has any right under the options to participate in any other share issue of the company or of any other entity.

During the year, no shares were issued on the exercise of options.

5,150,000 options expired unexercised on 31 December 2009.

**11. DIRECTORS' MEETINGS AND SHAREHOLDING INTERESTS**

The number of directors' meetings held during the financial year and the number of meetings attended by each director whilst a Director and the relevant interests of each director in the share capital of the Company, as notified to the Australian Securities Exchange in accordance with S205(G) of the Corporations Act 2001, as at the date of this report is as follows:

<b>Director</b>	<b>Meetings of Directors Held</b>	<b>Meetings of Directors Attended</b>	<b>Directors Interest in shares of the Company at date of this Report</b>	<b>Directors Interest in options of the Company at date of this Report</b>
Andrew Langham Gillies	6	6	8,870,000	1,350,000 Directors Options
David Keith Barwick	6	6	190,000	500,000 Directors Options
Wu Shu (alternate Tao Li)*	6	4	Nil	Nil
John Kevin Haley	6	6	100,000	750,000 Directors Options
Peter Bruce Nicholson**	6	6	Nil	Nil

\*Wu Shu is a Director of Jien Mining Pty. Ltd which holds 22,854,462 shares. Mr Tao Li as alternate director to Mr Wu Shu holds 500,000 options in Metallica Minerals Limited.

\*\*Peter Bruce Nicholson is a Director of Resource Capital Funds Management Pty. Ltd, an entity related to Resource Capital Fund III and IV L.P. which together hold 7,203,532 shares in Metallica Minerals Limited. Resource Capital Funds Management Pty. Ltd holds 500,000 options to acquire shares in Metallica Minerals Limited at 35 cents.

The number of meetings of the Audit Committee held during the year and the number of meetings attended by each member of the Audit Committee is as follows:

<b>Director</b>	<b>Meetings of Audit Committee Held</b>	<b>Meetings Of Audit Committee Attended</b>
Andrew Langham Gillies	2	2
David Keith Barwick	2	2
Peter Bruce Nicholson	2	2

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**DIRECTORS' REPORT**

**12. REMUNERATION REPORT – AUDITED**

**(a) Principles of Remuneration**

The company's policy for determining the nature and amount of emoluments of key management personnel, including Board members and other key management personnel of the company is set out below.

The remuneration structure for key management personnel, excluding non-executive directors and group executives, is set by the Board of Directors and is based on a number of factors including, market remuneration for comparable companies, particular experience of the individual concerned and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis the terms of which are not expected to change in the immediate future. The Company retains the right to terminate contracts immediately by making payment of an amount based on the employees years of service. Upon retirement or termination key management personnel, excluding non-executives, are paid employee benefits accrued to date of retirement or termination. No other termination benefits are payable under service contracts except that Mr Andrew Gillies is entitled to 6 months salary if a change in control of the company occurs and his employment is terminated, providing the amount payable does not exceed any amount allowable under the Corporations Law or the ASX Listing Rules. Any options issued which are not exercised on or before the date of termination lapse 3 months after termination. Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Board of Directors.

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The board ensures that director and executive rewards satisfy the following key criteria:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency

The Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

The remuneration framework is aligned to shareholders' interests through:

- a focus on sustained growth in share price and key non-financial drivers of value
- attracting and retaining high caliber executives

The remuneration framework is aligned to employees' interests through:

- rewarding capability and experience
- reflecting competitive rates of remuneration in respect of skills and responsibility
- providing a clear structure for earning rewards
- providing recognition for contribution

*Relationship between remuneration and Company performance*

Because the company is in exploration and not production, there is no direct relationship between the company's financial performance and the level of remuneration paid to key management personnel.

At 30 June 2010 the market price of the Company's ordinary shares was 21 cents per share. At 30 June 2009 the market price of the Company's ordinary shares was 31 cents per share. No dividends were paid during the year ended 30 June 2010.

Given that the remuneration is commercially reasonable, the link between remuneration, Company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a minerals company. Share prices are subject to the influence of international metal prices and market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration. The company may issue options to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of key management personnel with those of the company's shareholders.

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Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as determined by the Board of Directors.

Except in so far as Directors and key management personnel hold options over shares in the Company, there is no relationship between remuneration policy and the Company's performance. The Company's shares were last traded at 21 cents on 30 June 2010.

The table below sets out summary information about the Economic Entity's earnings, movements in shareholders wealth for the five years to 30 June 2010:

<b>Description</b>	<b>30 June 2010</b>	<b>30 June 2009</b>	<b>30 June 2008</b>	<b>30 June 2007</b>	<b>30 June 2006</b>
Revenue	\$619,865	\$466,136	\$651,289	\$493,418	\$175,603
Net profit/(loss) before tax	(\$5,123,100)	\$3,485,962	\$14,185,492	(\$164,312)	(\$1,639,913)
Net profit/(loss) after tax	(\$3,822,394)	\$2,578,402	\$10,544,569	(\$164,312)	(\$1,639,913)
Basic earnings/(loss) per share (cents)	(2.49)	2.38	0.0974	(0.0017)	(2.10)
Last traded share price	\$0.21	\$0.31	\$0.50	\$0.88	\$0.22
Return of Capital	\$374,512	-	-	-	-

There were no dividends paid or returns of capital by the Economic Entity in the previous five years, except that on 31 May 2010 the Company bought back 7,743,048 shares held by Resource Capital Funds III and IV. This reduced the Company's Issued Capital by 6.4% and increased the interest of the remaining shareholders in the Company,

Remuneration of the Non-executive Directors is approved by the Board and set in aggregate within the maximum amount approved by the shareholders from time to time. The fees have been determined by the Board having regard to industry practice and the need to obtain appropriately qualified independent persons.

The aggregate pool of remuneration paid to Non-executive Directors was approved by shareholders on 10 May 2004 and is currently \$200,000 per annum for Metallica Minerals Ltd as parent entity. The amount paid to non-executive Directors of the parent entity (Metallica Minerals Ltd) during the year to 30 June 2010 was \$132,000. The amount paid to Non-executive Directors of the economic entity from Metallica Minerals Ltd and its controlled entities which are listed during the year to 30 June 2010 was \$200,638.

The Company has adopted a policy in respect of employees and directors trading in the Company's securities. No formal policy has been adopted regarding employees and directors hedging exposure to holdings of the Company's securities. No employees or directors have hedged their exposures.

The key management personnel of Metallica Minerals Limited and the economic entity includes the directors of the Parent Entity, Mr Andrew Gillies (Managing Director), Mr John Haley (Director/CFO/Company Secretary), Mr David Barwick (Chairman), Mr Peter Nicholson (Non-executive Director) and Mr Wu Shu (Non-executive Director and his alternate Mr Tao Li), and an executive, Mr Pat Smith (Exploration Manager).

In addition, Mr Mike O'Brien (Chief Executive Officer-Metrocoal Limited) Mr Theo Psaros (Chief Operating Officer/CFO/Company Secretary-MetroCoal Limited), Mr Michael Hansel (Non Executive Director of MetroCoal Ltd), Mr Brett O'Donovan (Chief Executive Officer of Planet Metals Ltd appointed 1 March 2010) and Mr Bary Kelly (Chief Operating Officer of Planet Metals Ltd) are considered group executives of the economic entity. These personnel have authority for planning, directing and controlling the activities of the company and the economic entity during the time that they hold an Office or employment in the group.

The Company has adopted a policy in respect of employees and directors trading in the Company's securities. Employees and directors are not permitted to hedge their exposure to holdings of the Company's securities. No employees or directors have hedged their exposures.

DIRECTORS' REPORT

(b) Remuneration Tables  
2010 Remuneration

Economic Entity	Short-term employee benefits Salary, fees & commission	Bonus***	Share Based Payments Equity Settled Options*	Post Employment Benefits	Long Term Benefits Long Service Leave	Total	Performance Related Percentage		% consisting of options
							\$	%	
<b>Directors-Metallica Minerals Limited ****</b>									
DK Barwick	128,638	-	4,123	8,742	-	141,503	-	2.9	
AL Gillies	276,483	-	30,819	25,010	17,251	349,563	-	8.8	
JK Haley	144,910	-	18,933	23,715	1,154	188,712	-	10.0	
PB Nicholson**	36,000	-	3,205	-	-	39,205	-	8.2	
W Shu/T Li	36,000	-	3,205	-	-	39,205	-	8.2	
<b>Other key Management Personnel-Metallica Minerals Limited</b>									
P. Smith	131,752	5,000	13,044	11,771	6,984	168,551	2.9	7.7	
<b>Other Group Executives</b>									
M. O'Brien	208,836	100,000	1,565	11,108	-	321,509	31.1	0.5	
T. Psaros	180,610	-	2,710	15,750	-	199,070	-	1.4	
M. Hansel	24,000	-	918	-	-	24,918	-	3.68	
B O'Donovan	40,000	-	20,399	3,600	-	63,999	-	31.87	
B. Kelly	-	-	-	27,250	-	27,250	-	-	
<b>Total</b>	<b>1,207,229</b>	<b>105,000</b>	<b>98,921</b>	<b>126,946</b>	<b>25,389</b>	<b>1,563,485</b>			

Note (\*) non-cash benefit – deemed option value in accordance with AASB 2.

Note (\*\*) amounts paid in respect of Mr. Nicholson are paid to Resource Capital Funds Management Pty. Ltd an entity related to Resource Capital Fund III and IV L.P., and of which Mr Nicholson is a Director

Note (\*\*\* ) In June 2010, Mr Smith was paid a bonus of \$5,000 for successful completion of the Lucknow drilling program, being 100% of the bonus entitlement. In December 2009 Mr O'Brien was paid a one off cash bonus of \$100,000 by MetroCoal Limited pursuant to his employment contract following the successful IPO raising of \$10 million by Metrocoal Limited. No other agreed bonuses were payable to Mr Smith, Mr O'Brien or any other key management personnel in the 30 June 2010 year, or are payable in future years.

Note (\*\*\*\*) The remuneration paid to directors is from Metallica Minerals Ltd and its controlled entities which are listed.

**DIRECTORS' REPORT**

Economic Entity	2009 Remuneration		Bonus***	Share Based Payments Equity Settled Options*	Post Employment Benefits	Total	Performance Related Percentage	% consisting of options
	Short-term employee benefits	Salary, fees & commission						
<b>Directors-Metallica Minerals Limited ****</b>								
DK Barwick	60,000	-	1,085	-	-	61,085	-	1.78
AL Gillies	248,179	15,000***	88,431	22,336	373,946	4.01	23.6	23.6
JK Haley	90,766	10,000***	61,149	39,234	201,149	4.9	30.4	30.4
PB Nicholson**	36,000	-	-	-	36,000	-	-	-
MJ Ashley ****	39,000	-	-	3,510	42,510	-	-	-
Mr W Shu	-	-	-	-	-	-	-	-
<b>Other key Management Personnel-Metallica Minerals Limited</b>								
P. Smith	125,577	-	-	11,825	137,402	-	-	-
<b>Other key Management Personnel-Group Executives</b>								
M. O'Brien	174,350	-	20	-	174,370	-	-	-
T. Psaros	127,884	-	10	11,510	139,404	-	-	-
M. Hansel	24,000	-	1,085	-	25,085	-	-	4.3
B. Kelly	-	-	-	34,063	34,063	-	-	-
<b>Total</b>	<b>925,756</b>	<b>25,000</b>	<b>151,780</b>	<b>122,478</b>	<b>1,225,014</b>			

Note (\*) non-cash benefit – deemed option value in accordance with AASB2

Note (\*\*) amounts paid in respect of Mr. Nicholson are paid to Resource Capital Funds Management Pty. Ltd an entity related to Resource Capital Fund III and IV LP, and of which Mr Nicholson is a Director.

Note (\*\*\*) In July 2008, Mr Gillies and Mr Haley were paid a one off cash bonus of \$15,000 and \$10,000 respectively. This bonus was approved by the Board of Directors following the sale of the Company's shareholding in Cockatoo Coal Limited for gross proceeds of \$20 million which vested immediately. No other agreed bonuses were payable to Mr. Gillies, Mr. Haley or any other key management personnel in the 30 June 2009 year, or are payable in future years.

Note (\*\*\*\*) The remuneration paid to directors is from Metallica Minerals Ltd and its controlled entities which are listed.

Note (\*\*\*\*) Mark J Ashley resigned 12 May 2009.

No long term benefits (i.e. long service leave) was accrued in 2009.

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**(c) Performance income as a proportion of total remuneration**

Executive directors and executives are paid performance based bonuses based on set monetary figures, rather than as proportions of their salary. Bonuses are also paid in the form of stock options. This has led to the proportions of remuneration related to performance varying between individuals. The Company has set bonuses with performance conditions to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth of the group. Performance conditions generally include progressing the company's projects toward production, and funding the company by disposals of non-core assets either by sale or otherwise on satisfactory terms.

The Board of Directors compare the actual performance of the executives and executive Directors against the performance conditions set by the Board of Directors for that individual and assess whether or not the conditions have been met. This method of assessment was chosen as it provides the Board of Directors with an objective assessment of the individual's performance. The basis on which the bonus was paid has been disclosed in the notes to the remuneration table above.

The Board of Directors will review the performance conditions to gauge their effectiveness against achievement of the set goals, and adjust future year's incentives as they see fit, to ensure use of the most cost effective and efficient methods.

**(d) Managing Director and Executive Director Contracts-Metallica Minerals Limited**

The Company has entered into a contract with Mr. Andrew Langham Gillies, the Managing Director of the Company. Key terms of the contract are:

- The contract has a term commencing on 23 March 2009 and ending on 30 June 2011.
- The contract may be terminated by 3 months notice from either party.
- The contract is to be reviewed annually by the Board of Directors.
- The base salary including the 9% superannuation guarantee levy is \$250,000 per annum.
- It provides for payment of 6 months of base salary if control of the company changes and Mr Gillies employment is terminated.

The Company has entered into a contract with Mr. John Kevin Haley, an Executive Director, Chief Financial Officer and Company Secretary of the Company. Key terms of the contract are:

- The contract has a 2 year term commencing on 1 July 2009.
- The contract may be terminated by 3 months notice from either party.
- The contract is to be reviewed annually by the Board of Directors.
- The base salary including the 9% superannuation guarantee levy is \$130,000 per annum.

**Chief Executive Officer and Chief Operating Officer-MetroCoal Limited**

**Mr Mike O'Brien (Chief Executive Officer)**

MetroCoal Limited has entered into an executive services agreement dated 27 October 2009 with its Chief Executive Officer, Mike O'Brien (CEO).

The key terms of this agreement are as follows:

- a) The term is from the date of agreement until the agreement is otherwise terminated in accordance with its terms;
- b) The base remuneration is \$216,000 per annum, excluding superannuation, and is subject to annual review by the Board;
- c) The CEO is also entitled to:
  1. an annual bonus if certain criteria, as agreed to between the Company and the CEO, are satisfied
  2. superannuation of the greater of 10% of the base remuneration or the level required by statute from time to time; and

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**DIRECTORS' REPORT**

3. reimbursement for payment of medical insurance coverage, reasonable travel and accommodation expenses incurred in attending Board and other meetings of the Company, and for other reasonable expenses incurred in performance of the CEO's duties which have the prior approval of the Board; and

d) The agreement can be terminated:

1. by the CEO giving three (3) months notice;
2. by the Company giving six (6) months notice or payment of six (6) months base remuneration in lieu of notice; or
3. by the Company immediately (and without notice or an entitlement to any redundancy or other payment) in the event of bankruptcy or prescribed misconduct by the CEO.

**Mr Theo Psaros (Chief Operating Officer and Company Secretary)**

MetroCoal has entered into an employment agreement dated 25 August 2008 with its Chief Operating Officer and Company Secretary, Theo Psaros (COO).

The key terms of this agreement are as follows:

- a) The term is from the date of the agreement until the agreement is otherwise terminated in accordance with its terms;
- b) The current base remuneration is \$180,000 per annum, excluding superannuation, and is subject to annual review by the Board;
- c) The COO is also entitled to:
  1. superannuation at the level required by statute from time to time;
  2. 1 million options to subscribe for Shares in the company; and
  3. use of a mobile phone for work purposes and for reasonable personal use;

d) The agreement can be terminated:

1. by the COO giving six (6) months notice;
2. by the Company giving six (6) months notice or payment of six (6) months base remuneration in lieu of notice; or
3. by the Company immediately (and without notice or an entitlement to any redundancy or other payment) in the event of gross negligence or serious misconduct.

**(e) Options issued as part of remuneration**

Options are issued to directors and executives as part of their remuneration. The options are not issued solely on performance criteria, but are also issued to all directors and executives of Metallica Minerals Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders. Other than a vesting date, there are no other vesting conditions applying to options granted.

Options granted during the year as remuneration by Metallica Minerals Limited and entities it controlled are disclosed below:-

**Metallica Minerals Limited:**

3,500,000 Key Management Personnel options were granted as remuneration during the year.

3,000,000 Key Management Personnel options expired unexercised during the year.

**MetroCoal Limited**

500,000 Key Management Personnel options were granted as remuneration during the year.

No Key Management Personnel options expired unexercised during the year.

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**DIRECTORS' REPORT**

**Planet Metals Limited**

1,500,000 Key Management Personnel options were granted as remuneration during the year.

No Key Management Personnel options expired unexercised during the year.

**(f) Equity Settled-Options issued as part of remuneration for the year ended 30 June 2010-  
Metallica Minerals Limited**

Directors	Granted No.	Vested No.	Grant Date	Value per Option at Grant Date \$	Exercise Price \$	Amount Paid or Payable	First Exercise Date	Last Exercise and Expiry Date
Mr D K Barwick	500,000	Nil	31/05/2010	0.078	0.35	Nil	31/05/2011	31/05/2012
Mr A L Gillies	1,000,000	Nil	31/05/2010	0.078	0.35	Nil	31/05/2011	31/05/2012
Mr J K Haley	500,000	Nil	31/05/2010	0.078	0.35	Nil	31/05/2011	31/05/2012
Mr P B Nicholson*	500,000	Nil	31/05/2010	0.078	0.35	Nil	31/05/2011	31/05/2012
Mr W Shu/T Li**	500,000	Nil	31/05/2010	0.078	0.35	Nil	31/05/2011	31/05/2012
<b>Key Management Personnel</b>								
Mr P Smith	500,000	Nil	12/02/2010	0.069	0.35	Nil	12/02/2011	12/02/2012

\*Peter Nicholson has assigned his options to Resource Capital Funds Management Pty. Ltd

\*\* Mr Tao Li as alternate director to Mr Wu Shu holds 500,000 options in Metallica Minerals Ltd.

350,000 options exercisable at 65 cents granted to Mr. Andrew Gillies, 250,000 options exercisable at 65 cents granted to Mr. John Haley, and 70,000 options exercisable at 65 cents granted to Pat Smith have vested and are exercisable. All other options vest one year after date of grant provided the Director or employee is still employed by the company. Options are granted to directors and key management personnel as determined by the directors subject to shareholder approval being obtained when required.

5,150,000 options expired unexercised during the year, including 3,000,000 relating to key management personnel. 1,000,000 options exercisable at 50 cents granted to Mr. Andrew Gillies, 500,000 options exercisable at 50 cents granted to Mr. David Barwick, 500,000 options exercisable at 50 cents granted to Mr. John Haley, and 500,000 options exercisable at 50 cents granted to Pat Smith all expired at 31 December 2009 with an intrinsic value of \$15,000 which all expired significantly out of the money. In addition 500,000 options exercisable at 25 cents granted to Resource Capital Funds Management Pty. Ltd expired at 31 December 2009 with an intrinsic value of \$15,000.

Exercise price is as determined by the directors but is largely based on market price of the company's shares at the time of grant.

All options were granted for nil consideration. No options were exercised during the year by key management personnel.

**Equity Settled-Options issued as part of remuneration for the year ended 30 June 2010-MetroCoal Limited**

Directors	Granted No.	Vested No.	Grant Date	Value per Option at Grant Date \$	Exercise Price \$	Amount Paid or Payable	First Exercise Date	Last Exercise and Expiry Date
<b>Key Management Personnel</b>								
T. Psaros	500,000	500,000	01/07/09	0.004	0.25	Nil	04/12/09	04/12/2014

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**DIRECTORS' REPORT**

**Equity Settled-Options issued as part of remuneration for the year ended 30 June 2010-Planet Metals Limited**

	Granted No.	Vested No.	Grant Date	Value per Option at Grant Date \$	Exercise Price \$	Amount Paid or Payable	First Exercise Date	Last Exercise and Expiry Date
<b>Key Management Personnel</b>								
B. O'Donovan	1,500,000	500,000	01/03/2010	0.039	Various	Nil	01/03/2010	01/03/2013

**(g) Equity Settled-Options exercised for the year ended 30 June 2010**

No options were exercised and converted to shares during the 2010 year.

**(h) Value of options issued as part of remuneration for the year ended 30 June 2010**

Details of the value of options granted during the year to key management personnel and executives as part of their remuneration are summarised below:

Directors-Metallica Minerals Limited	Value of options at grant date \$	Value of options exercised at exercise \$	Value of options lapsed at date of lapse \$
Mr D K Barwick	39,000	Nil	Nil
Mr A L Gillies	78,000	Nil	Nil
Mr J K Haley	39,000	Nil	Nil
Mr Wu Shu**	39,000	Nil	Nil
Mr P B Nicholson*	39,000	Nil	Nil
<b>Key Management Personnel-Metallica Minerals Limited</b>			
Mr P Smith	34,500	Nil	Nil
T. Psaros	2,000	Nil	Nil

\*Peter Nicholson has assigned his options to Resource Capital Funds Management Pty Ltd.

\*\*Mr Tao Li as alternate director to Mr Wu Shu holds 500,000 options in Metallica Minerals Ltd.

Key Management Personnel-Metrocoal Limited	Value of options at grant date \$	Value of options exercised at exercise \$
T. Psaros	2,000	-

Key Management Personnel-Planet Metals Limited	Value of options at grant date \$	Value of options exercised at exercise \$
B. O'Donovan	49,222	-

**END OF REMUNERATION REPORT**

**13. NON-AUDIT SERVICES**

During the year, BDO Audit (QLD) Pty. Ltd or related entities, the Company's auditor, have performed certain other services in addition to their statutory duties.

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**DIRECTORS' REPORT**

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor;
- the non-audit services do not undermine the general principles relating to auditor independence;
- as set out in APES110 Code of Ethics for Professional Accountants, they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The following fees for non-audit services were paid/payable to the BDO Audit (QLD) Pty. Ltd during the year ended 30 June 2010: Taxation services \$29,927.

**14. INDEMNIFICATION OF OFFICERS OR AUDITOR**

Each of the Directors and the Secretary of the Company have entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those Directors and Secretary. The Company has insured all of the Directors of Metallica Minerals Ltd. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act 2001 does not require disclosure of the information in these circumstances.

The Company has not indemnified its auditor.

**15. PROCEEDINGS ON BEHALF OF A COMPANY**

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

**16. AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 21 of the directors' report.

This report is made in accordance with a resolution of the Directors.



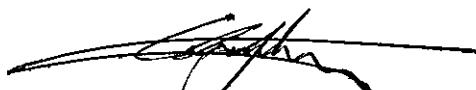
D K Barwick  
Chairman  
22 September 2010

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

In relation to our audit of the Financial Report of Metallica Minerals Limited for the year ended 30 June 2010, 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 audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Metallica Minerals Limited.



Craig Jenkins

Director

**BDO Audit (QLD) Pty Ltd**

Brisbane, 22 September 2010

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2010**

	Note	Economic Entity 2010 \$	Economic Entity 2009 \$
<b>Continuing operations</b>			
Revenue	8	619,865	466,134
Purchases and cost of sales		<u>(334,412)</u>	<u>(306,799)</u>
Gross profit		285,453	159,335
Other income	8	233,747	153,982
Profit on sale of investment	8	-	8,250,000
Employee benefits expense	9	(1,975,278)	(2,385,875)
Depreciation and amortisation		<u>(249,475)</u>	<u>(195,079)</u>
(Impairment)/reversal on loans receivable	13	292,231	(292,231)
Impairment of financial assets		<u>(200,913)</u>	<u>(50,000)</u>
Discount on acquisition of subsidiary		-	89,554
Other expenses	9	<u>(3,517,190)</u>	<u>(2,176,068)</u>
<b>Results from operating activities</b>		<u>(5,131,425)</u>	<u>3,553,618</u>
Finance income		636,935	1,214,279
Finance costs		<u>(91,693)</u>	<u>(43,672)</u>
<b>Net finance costs</b>		<u>545,242</u>	<u>1,170,607</u>
Share of loss of equity accounted associates (net of income tax)	17	<u>(536,967)</u>	<u>(1,238,263)</u>
Profit/(loss) before income tax		<u>(5,123,150)</u>	<u>3,485,962</u>
Income tax expense /(benefit)	10	<u>1,341,312</u>	<u>(907,560)</u>
<b>Profit/(loss) from continuing operations</b>		<u>(3,781,838)</u>	<u>2,578,402</u>
 <b>Discontinued operations</b>			
Profit/(loss) from discontinued operations (net of tax)	16	<u>(40,556)</u>	<u>-</u>
<b>Profit/(loss) for the year</b>		<u>(3,822,394)</u>	<u>2,578,402</u>
 <b>Other comprehensive income</b>			
Recycling of realised investment revaluation		-	(5,645,007)
Revaluation of available for sale investments (net of tax)		<u>(4,200)</u>	<u>-</u>
<b>Total comprehensive income/(loss)</b>		<u>(3,826,594)</u>	<u>(3,066,605)</u>
 <b>Profit/(loss) attributable to:</b>			
Owners of the Company		<u>(3,024,947)</u>	<u>2,713,043</u>
Non-controlling interests		<u>(797,447)</u>	<u>(134,641)</u>
<b>Total comprehensive income/(loss) attributable to:</b>		<u>(3,822,394)</u>	<u>2,578,402</u>
 <b>Total comprehensive income/(loss)</b>		<u>(3,029,147)</u>	<u>(2,931,964)</u>
Owners of the Company		<u>(797,447)</u>	<u>(134,641)</u>
<b>Total comprehensive income/(loss)</b>		<u>(3,826,594)</u>	<u>(3,066,605)</u>

The Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements

**METALLICA MINERALS LIMITED  
AND CONTROLLED ENTITIES  
ACN 076 696 092**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2010**

**Earnings per share for profit/loss from continuing  
operations**

Basic earnings/(loss) per share	26	(2.46 cents)	2.38 cents
Diluted earnings/(loss) per share	26	(2.46 cents)	2.36 cents

**Earnings per share for profit/loss from discontinued  
operations**

Basic earnings/(loss) per share	26	(0.03 cents)	(0.00 cents)
Diluted earnings/(loss) per share	26	(0.03 cents)	(0.00 cents)

**Earnings per share for profit/loss for the year**

Basic earnings/(loss) per share	26	(2.49 cents)	2.38 cents
Diluted earnings/(loss) per share	26	(2.49 cents)	2.36 cents

**METALLICA MINERALS LIMITED  
AND CONTROLLED ENTITIES  
ACN 076 696 092**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2010**

	Note	Economic Entity 2010	Economic Entity 2009
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	11	7,120,294	17,598,541
Held to maturity investments	12	9,205,618	-
Trade and other receivables	13	389,741	343,660
Inventories	14	147,421	151,624
Other current assets	15	45,013	5,712
Held-for-sale	16	4,301,980	-
<b>Total Current Assets</b>		<b>21,210,067</b>	<b>18,099,537</b>
<b>Non-Current Assets</b>			
Other non-current assets	15	151,921	985,500
Investment in associates	17	1,416,388	1,703,074
Available-for-sale financial assets	18	118,683	294,763
Plant and equipment	19	564,033	2,825,802
Exploration and evaluation expenditure	20	25,496,119	18,892,947
<b>Total Non-Current Assets</b>		<b>27,747,144</b>	<b>24,702,086</b>
<b>TOTAL ASSETS</b>		<b>48,957,211</b>	<b>42,801,623</b>
<b>Current Liabilities</b>			
Trade and other payables	21	988,481	1,219,952
Provision for income tax	10	-	893,330
Held -for- sale liability	16	817,627	-
Financial liabilities	22	30,398	66,347
<b>Total Current Liabilities</b>		<b>1,836,506</b>	<b>2,179,629</b>
<b>Non-Current Liabilities</b>			
Provisions	23	26,812	817,627
Deferred tax liabilities	10	2,700,296	3,575,361
<b>Total Non-Current Liabilities</b>		<b>2,727,108</b>	<b>4,392,988</b>
<b>TOTAL LIABILITIES</b>		<b>4,563,614</b>	<b>6,572,617</b>
<b>NET ASSETS</b>		<b>44,393,597</b>	<b>36,229,006</b>
<b>Equity</b>			
Issued capital	24	20,294,506	19,735,685
Reserves	25	12,811,086	6,870,297
Retained Earnings		5,284,804	8,309,751
<b>Total equity attributable to equity holders of the company</b>		<b>38,390,396</b>	<b>34,915,733</b>
Non-controlling interests		6,003,200	1,313,273
<b>TOTAL EQUITY</b>		<b>44,393,597</b>	<b>36,229,006</b>

The Statement of Financial Position should be read in conjunction with the notes to the financial statements

**METALLICA MINERALS LIMITED  
AND CONTROLLED ENTITIES  
ACN 076 696 092**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2010**

Economic Entity	Issued Capital	Options reserve	Asset revaluation surplus	Gain on change in proportionate interest		Retained earnings	Sub-total	Non-controlling interest	Totals
				\$	\$				
<b>Balance at 1 July 2008</b>	16,688,190	5,136,228	5,850,667	1,198,689	5,596,708	34,470,482	282,455	34,752,937	
Profit/(loss) for the year after income tax	-	-	-	-	2,713,043	2,713,043	(134,641)	2,578,402	
Other comprehensive income	-	-	(5,645,007)	-	-	(5,645,007)	-	(5,645,007)	
<b>Total comprehensive income/(loss) for the year</b>									
<b>Transactions with owners, recorded directly in equity</b>									
Amortisation of options issued	-	329,720	-	-	-	-	329,720	-	329,720
Options exercised during the year	426,000	-	-	-	-	426,000	-	426,000	
Shares issued during the year	2,621,495	-	-	-	-	2,621,495	-	2,621,495	
Recognition of non-controlling interest	-	-	-	-	-	-	1,165,459	1,165,459	
<b>Balance at 30 June 2009</b>	<b>19,735,685</b>	<b>5,465,948</b>	<b>205,660</b>	<b>1,198,689</b>	<b>8,309,751</b>	<b>34,915,733</b>	<b>1,313,273</b>	<b>36,229,006</b>	
<b>Balance at 1 July 2009</b>	19,735,685	5,465,948	205,660	1,198,689	8,309,751	34,915,733	1,313,273	36,229,006	
Profit/(loss) for the year after income tax	-	-	-	-	(3,024,947)	(3,024,947)	(797,447)	(3,822,394)	
Other comprehensive income	-	-	(4,200)	-	-	(4,200)	-	(4,200)	
<b>Total comprehensive income/(loss) for the year</b>									
<b>Transactions with owners, recorded directly in equity</b>									
Amortisation of options issued	-	215,303	-	-	-	-	215,303	-	215,303
Shares issued during the year	933,333	-	-	-	-	933,333	-	933,333	
Shares cancelled during the year	(374,512)	-	-	5,729,686	-	(374,512)	-	(374,512)	
Net gain on capital issued by subsidiary	-	-	-	-	5,729,686	-	-	5,729,686	
Recognition of non-controlling interest	-	-	-	-	-	-	5,487,375	5,487,375	
<b>Balance at 30 June 2010</b>	<b>558,821</b>	<b>215,303</b>	<b>-</b>	<b>5,729,686</b>	<b>-</b>	<b>6,503,810</b>	<b>5,487,374</b>	<b>11,991,185</b>	
	<b>20,294,506</b>	<b>5,681,251</b>	<b>201,460</b>	<b>6,928,375</b>	<b>5,284,804</b>	<b>38,390,396</b>	<b>6,003,200</b>	<b>44,393,597</b>	

The Statement of Changes in Equity should be read in conjunction with the notes to the financial statements

**METALLICA MINERALS LIMITED  
AND CONTROLLED ENTITIES  
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**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2010**

	Note	Economic Entity 2010 \$	Economic Entity 2009 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		1,480,706	833,544
Payments to suppliers and employees		(6,243,935)	(2,671,812)
Tax paid		(427,083)	-
Interest received		632,294	947,835
<b>Net Cash Provided By/(Used In) Operating Activities</b>	<b>32</b>	<b>(4,558,018)</b>	<b>(890,433)</b>
<b>Cash Flows From Investing Activities</b>			
Cash acquired in business combination	33	-	452,698
Investments		(20,000)	-
Proceeds from sale of investments		-	20,000,000
Proceeds from sale of plant and equipment		134,090	-
Payment for plant and equipment		(252,833)	(171,613)
(Loans to)/from associates		(250,000)	(292,231)
Payment for term deposit		(9,205,618)	-
Payment for exploration expenditure		(8,297,429)	(6,142,127)
Investment in associate		-	(1,704,747)
(Payment for)/receipt of in security deposits		15,972	(860,805)
Acquisition of available for sale financial assets		-	(107,770)
<b>Net Cash Provided By/(Used In) Investing Activities</b>		<b>(17,875,818)</b>	<b>11,173,405</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from share issue		-	426,000
Proceeds from issues of shares to non-controlling interests		13,036,097	-
Share Issue Costs		(1,044,559)	-
Payment of borrowings		(35,949)	(567,862)
<b>Net Cash Provided By/(Used In) Financing Activities</b>		<b>11,955,589</b>	<b>(141,862)</b>
<b>Net Increase/(Decrease) In Cash and Cash Equivalents</b>		<b>(10,478,247)</b>	<b>10,141,110</b>
Cash and Cash Equivalents At 1 July		17,598,541	7,457,431
<b>Cash and Cash Equivalents At 30 June</b>	<b>11</b>	<b>7,120,294</b>	<b>17,598,541</b>

The Statement of Cash Flows should be read in conjunction with the notes to the financial statements

**METALLICA MINERALS LIMITED  
AND CONTROLLED ENTITIES  
ACN 076 696 092**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

**1. REPORTING ENTITY**

Metallica Minerals Ltd (Company) is a listed public company, incorporated and domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as Economic Entity) and the Economic Entity's interest in associates.

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

The financial statements are a general purpose financial report prepared in accordance with Australian Accounting Standards (AASB's) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements of the Economic Entity comply with International Financial Reporting Standards (IFRS's) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statement were authorised for issue by the Board of Directors on 22 September 2010.

**(b) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The financial statements are presented in Australian Dollars, which is the Company's functional currency.

**(c) Use of estimates and judgements**

The preparation of financial statements in conformity with AASB's requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical estimates and judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are outlined below:

**Impairment**

The Economic Entity assesses impairment at the end of each reporting period by evaluating conditions specific to the Economic Entity that may lead to impairment of other assets and financial assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations are performed or market based information is obtained in assessing recoverable amounts that incorporate a number of key estimates.

**Share based payments**

The Economic Entity measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by the Black-Scholes option-pricing formula detailed in Note 36.

**Exploration & evaluation expenditure**

The Economic Entity performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on detailed surveys and analysis of drilling results performed to the end of the reporting period.

**METALLICA MINERALS LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

**(d) Changes in accounting policies**

Starting as of 1 July 2009, the Economic Entity has changed its accounting policies in the following areas:

- Accounting for business combinations;
- Accounting for Acquisitions of non-controlling interests;
- Determination and presentation of operating segments; and
- Presentation of financial statements.

Refer to notes 4(a), 4(q) and 4(r)

**3. UNCERTAINTIES REGARDING GOING CONCERN & RECOVERABILITY OF EXPLORATION & EVALUATION EXPENDITURE & ASSOCIATED HELD FOR SALES ASSETS**

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. This includes the realisation of capitalised exploration and evaluation expenditure of \$25,496,119 (30 June 2009: \$18,892,947) as summarised in Note 20 and associated held for sale assets of \$4,301,980 as summarised in Note 16. The ability of the economic entity to maintain continuity of normal business activities, to pay its debts as and when they fall due and to recover the carrying value of exploration and evaluation expenditure and associated held for sale assets, is dependent on the ability of the economic entity to successfully raise additional capital and/or successful exploration and subsequent exploitation of areas of interest through sale or development.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all entities in the Economic Entity, except as outlined in note 2(d), which addresses changes in accounting policies.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

**(a) Basis of Consolidation**

**Business combinations**

*Measuring goodwill*

The Economic Entity measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Economic Entity to the previous owners of the acquiree, and equity interests issued by the Economic Entity. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Economic Entity and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

*Contingent liabilities*

A contingent liability of the acquiree is recognised in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

*Non-controlling interest*

The Economic Entity measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

**METALLICA MINERALS LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

**(a) Basis of Consolidation (continued)**

*Transaction costs*

Transaction costs that the Economic Entity incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

The Economic Entity has adopted the revised AASB 3 *Business Combinations* (2008) and amended AASB 127 *Consolidated and Separate Financial Statements* (2008) for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively.

For every business combination, the Economic Entity identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Economic Entity takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

**Investments in associates (equity accounted investees)**

Associates are those entities in which the Economic Entity has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Economic Entity holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Economic Entity's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Economic Entity's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Economic Entity, from the date that significant influence commences until the date that significant influence ceases.

When the Economic Entity's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Economic Entity has an obligation or has made payments on behalf of the investee.

**Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Economic Entity's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Economic Entity's interest in such entities is disposed of.

**(b) Income tax**

The charge for current income tax expense is based on the profit/loss for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the end of the reporting period.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS  
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Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences or tax losses can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**Income tax consolidation**

Metallica Minerals Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Metallica Minerals Limited is responsible for recognising the current tax assets and liabilities for the tax consolidated group. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group. Each entity in the group recognises its own deferred tax assets and liabilities. Such taxes are measured using the group taxpayer approach to allocation.

**(c) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of mining stocks includes direct materials, direct labour, transportation costs and variable and fixed overheads.

**(d) Plant and equipment**

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flow that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the economic entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

All assets are depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Plant and equipment	15-40% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

**METALLICA MINERALS LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

The plant and equipment's residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted prospectively if appropriate.

**(e) Exploration and evaluation expenditure**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. Production is not considered to have commenced as sales for the year are of off take inventory that is of an incidental nature.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

**(f) Restoration, rehabilitation and environmental expenditure**

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Estimates of future costs are reassessed at least annually. Changes in estimates relating to areas of interest in the exploration and evaluation phase are dealt with retrospectively, with any amounts that would have been written off or provided against under the accounting policy for exploration and evaluation immediately written off.

**(g) Leases**

Leases of property, plant and equipment, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the economic entity are classified as finance leases.

Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are depreciated over the shorter of the asset's useful life and the lease term. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged to the profit or loss on a straight line basis over the period of the lease.

**(h) Financial instruments**

**Recognition**

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all other financial instruments.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method less impairment losses.

**Held to maturity investment**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the economic entity has the positive intention and ability to hold-to-maturity and are measured at amortised cost subsequent to initial recognition using the effective interest method. If the economic entity were to sell other than an insignificant amount of held-to-maturity investments, the whole category is then reclassified as available-for-sale.

**Available for sale financial assets**

Available for sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise of investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Where the investments are listed, they are measured at fair value based on market prices at the end of the reporting period with fair value adjustments going directly to the asset revaluation surplus. When the investment is de-recognised the cumulative gain or loss is removed from equity and transferred to profit and loss. Where the investments are not listed, they are measured on the cost basis less impairments recognised.

**Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost using the effective interest method, comprising original debt less principal payments and amortisation.

**Impairment**

At each reporting date, the Economic Entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of loans and receivables, the Economic Entity first assess individually whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Economic Entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. In the case of available for sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Losses are recognised in the profit or loss where no revaluation surplus is available to offset against.

**(i) Impairment of non-financial assets**

At each reporting date, the Economic Entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Economic Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(j) Employee benefits**

**Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Economic Entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Employee benefits payable later than 1 year have been measured at the present value of the estimated cash outflows to be made.

**Equity settled share based compensation**

The Economic Entity issues equity-settled share-based payments to directors and employees. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a valuation which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instrument that eventually vest.

**(k) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

**(l) Revenue**

Revenue is measured at the fair value of the consideration received or receivable. Interest revenue is recognised using the effective interest rates applicable to the financial assets. Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

All revenue is stated net of the amount of goods and services tax (GST).

**(m) Goods and services tax (GST)**

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Cash flows are presented in the statements of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(n) Issued capital**

Issued Ordinary Shares are classified as equity. Costs directly attributable to the issue of new shares or options are recognised as transaction costs under AASB 139 and shown as a deduction from equity.

The costs of shares bought back is measured at cost (i.e consideration paid). No gain or loss is recognised for these transactions.

**(o) Earnings per share**

The Economic Entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

**(p) Comparative figures**

Where required by the Australian Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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**(q) Segment reporting**

As of 1 July 2009 the Economic Entity determines and presents operating segments based on the information that internally is provided to the Board of Directors, which is the Economic Entity's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Economic Activity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Economic Entity's other components. All operating segments' operating results are regularly reviewed by the Economic Entity's Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**(r) Presentation of financial statements**

The Economic Entity applies revised AASB 101 *Presentation of Financial Statements* (2007), which became effective as of 1 July 2009. As a result, the Economic Entity presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

**(s) New accounting standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Economic Entity's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Economic Entity has not yet determined the potential effect of the standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party. The amendments, which will become mandatory for the Economic Entity's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASB's resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Economic Entity's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

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**5. DETERMINATION OF FAIR VALUES**

Certain accounting policies and disclosures of the Economic Entity require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**Share-based payment transactions**

The economic entity issues equity-settled share-based payment options to directors and officers of the economic entity as part of their remuneration. The fair value of the options issued to directors and officers is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions.

**Fair value of financial instruments**

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

**6. FINANCIAL RISK MANAGEMENT**

Risk management is carried out under policies set by the Board of Directors.

The Board provides principles for overall risk management, as well as policies covering specific areas.

**(a) Financial risk management objectives**

The Board monitors and manages the financial risk relating to the operations of the Economic Entity. The Economic Entity's activities include exposure to market risk, fair value interest rate risk and price risk, credit risk, liquidity risk, cash flow interest rate risk and operational risk. The overall risk management program focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on the financial performance. Risk management is carried out under the direction of the Board of Directors.

**(b) Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 4 to the financial statements.

**(c) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Economic Entity's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

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**(d) Fair value of financial instruments**

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

**(e) Liquidity risk management**

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due.

The objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Economic Entity's short, medium and long-term funding and liquidity management requirements. The Economic Entity manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

Contractual cashflows from trade and other payables and financial liabilities approximate their carrying amount. Trade and other payables are contractually due within 6 months of year end.

**(f) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Economic Entity's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Economic Entity's operations.

The Economic Entity's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Economic Entity's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

**7. SEGMENT REPORTING**

The Economic 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, which is the chief operating decision maker for the Economic Entity. These internal reports are used to assist the Board to assess performance and allocate resources. In accordance with its internal reporting the Economic Entity has determined that there are five operating segments within the Economic Entity. These are:

1. NORNICO, a nickel development and exploration project in Queensland;
2. Bauxite, through an investment in an Associate exploring for bauxite;
3. Coal Related, Metallica Minerals Ltd investment in MetroCoal Ltd that has recently undertaken its initial public offering;
4. Planet Metals incorporating Tungsten-Molybdenum, gold, and
5. Other Metals & Minerals, reflecting the balance of the group's assets over a variety of exploration targets

The five operating segments are contained to Australia, the Group has determined that it is not necessary to report separately in relation to geographical segments.

Inter-segment pricing is determined on an arm's length basis.

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Comparative segment information has been represented in conformity with the requirement of AASB 8 Operating Segments.

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location. Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Tax liabilities are generally considered to relate to the economic entity as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings. Unallocated items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of the segment. The following items are classed as unallocated:- net gain on available for sale investments, impairment of assets and other non-recurring items of revenue or expenses, deferred tax assets and liabilities and discontinuing operations.

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	Normico		Bauxite (Equity Interest)		Coal Related		Planet Metals		Other Metals & Minerals & Others		Total		
	2010	2009	2010	2009	2010	2009	2009	2010	2009	2010	2009	2009	
Reportable segment assets	29,620,242	32,327,853	1,023,834	1,703,074	10,302,864	1,372,911	2,062,674	6,028,190	1,645,617	1,369,595	44,655,231	42,801,623	
Unallocated: Held for sale assets	-	-	-	-	-	-	-	-	-	-	4,301,980		
<b>Total group assets</b>												<b>48,957,211</b>	<b>42,801,623</b>
Reportable segment liabilities	(345,989)	(822,498)	-	-	(498,984)	(186,228)	(88,982)	(299,902)	(111,736)	(795,298)	(1,045,691)	(2,103,926)	
Unallocated: Held for sale liabilities	-	-	-	-	-	-	-	-	-	-	(817,627)	-	
Provision for income tax	-	-	-	-	-	-	-	-	-	-	-	(893,330)	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	(2,700,296)	
<b>Total group liabilities</b>												<b>4,563,614</b>	<b>6,572,617</b>

All operations are within Queensland, Australia and accordingly there is no revenue or assets from other geographical regions. For the revenue generated by the economic entity, it relates to sales of lime predominately to one customer for incidental operations given the economic entity is still in exploration and evaluation phase for its areas of interests.

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	Economic Entity 2010 \$	Economic Entity 2009 \$
<b>8. REVENUE AND OTHER INCOME</b>		
<b>Revenue from continuing operations</b>		
Sales	619,865	466,134
Other revenue	233,747	153,982
<b>Total revenue</b>	<b>853,612</b>	<b>620,116</b>
Profit on sale of investments	-	<u>8,250,000</u>
<b>9. EXPENSES</b>		
Profit/(loss) before income tax expense has been determined after:		
<b>Employee benefits expense</b>		
Salaries, wages and provisions	1,748,100	2,056,155
Share based payments	227,178	329,720
<b>Total employee benefits expense</b>	<b>1,975,278</b>	<b>2,385,875</b>
<b>Other expenses</b>		
Rental expenses	229,714	75,393
Exploration costs	369,719	210,145
Airfares, meals and accommodation	214,955	102,341
Brokerage and IPO costs	696,187	317,089
Consultants	57,718	175,705
Legal fees	251,238	131,121
Listing fees	53,983	51,177
Public relations and marketing	135,962	72,902
Motor vehicle expenses and diesel	41,499	83,813
Postage	4,046	5,090
Printing and stationary	82,399	52,314
Share register	75,674	22,230
Planet Metals Limited project costs	400	305,175
Exploration & evaluation expenditure written off	403,120	413,654
Telephone and fax	87,640	40,540
Other miscellaneous costs	812,936	117,379
<b>Total other expenses</b>	<b>3,517,190</b>	<b>2,176,068</b>

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	<b>Economic Entity 2010 \$</b>	<b>Economic Entity 2009 \$</b>
<b>10. INCOME TAX</b>		
Components of tax expense comprise:		
Current tax	55,029	1,289,188
Deferred tax	(875,066)	(4,437)
Prior year over provision	(521,275)	(377,191)
	<u>(1,341,312)</u>	<u>907,560</u>
<b>(a) Reconciliation</b>		
Profit/ (loss ) from operations during the year	(5,123,150)	3,485,962
Profit/ (loss ) from discontinued operations during the year	(40,556)	-
	<u>(5,163,706)</u>	<u>3,485,962</u>
The prima facie income tax (benefit)/expense on profit/(loss) before income tax at a tax rate of 30% (2009: 30%)	(1,549,111)	1,045,788
Non deductible expenses	71,914	103,416
Deferred tax asset not brought to account		
- tax losses (subsidiaries outside of tax Consolidated Group)	657,160	233,391
Prior year under/(over) provision	(521,275)	(377,191)
Recognition of deferred tax balances	-	(97,844)
Income tax expense/ (benefit)	<u>(1,341,312)</u>	<u>907,560</u>
<b>(b) Net Unrecognised deferred tax assets and liabilities</b>		
Deferred tax assets		
Deductible temporary differences	6,479,582	2,303,890
Unused Tax losses	<u>4,983,846</u>	<u>4,057,563</u>
Net unrecognised deferred tax asset	<u>11,463,428</u>	<u>6,361,453</u>
<b>Gross amounts of items in net unrecognised deferred tax assets:</b>		
Unused losses	16,612,820	13,525,210
Net temporary differences	<u>21,598,606</u>	<u>7,679,633</u>
<b>Total net unrecognised deferred tax assets</b>	<b><u>38,211,426</u></b>	<b><u>21,204,843</u></b>
Franking credits available	<u>583,794</u>	<u>-</u>

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**Recognised deferred tax assets and liabilities**

<b>Economic Entity</b>	<b>Opening Balance</b>	<b>Net Charged to Income</b>	<b>Net Charged to Equity</b>	<b>Closing Balance</b>
	\$	\$	\$	\$
<b>2010</b>				
<b>Deferred Tax Asset</b>				
Impairment of loans	87,669	9,020	-	96,689
Carried forward tax losses	-	2,193,956	-	2,193,956
Employee benefits	36,692	(8,261)	-	28,431
Associate's losses	720,502	161,090	-	881,592
Capital raising costs	61,125	(54,054)	-	7,071
Other	148,388	21,946	-	170,334
	<u>1,054,376</u>	<u>2,323,697</u>	-	<u>3,378,072</u>
<b>Deferred Tax Liability</b>				
Revaluations of financial assets	-	-	-	-
Deferred tax on exploration expenditure	4,546,056	1,500,424	-	6,046,480
Other	83,681	(51,793)	-	31,888
	<u>4,629,737</u>	<u>1,448,631</u>	-	<u>6,078,368</u>
<b>Net deferred tax liability</b>	<u>3,575,361</u>	<u>(875,066)</u>	-	<u>2,700,296</u>
<b>2009</b>				
<b>Deferred Tax Asset</b>				
Impairment of loans	-	87,669	-	87,669
Carried forward tax losses	3,018,546	(3,018,546)	-	-
Employee benefits	33,249	3,443	-	36,692
Associate's losses	349,023	371,479	-	720,502
Capital raising costs	61,125	-	-	61,125
Other	12,578	135,810	-	148,388
	<u>3,474,521</u>	<u>(2,420,145)</u>	-	<u>1,054,376</u>
<b>Deferred Tax Liability</b>				
Revaluations of financial assets	5,980,906	(3,524,573)	(2,456,333)	-
Deferred tax on exploration expenditure	3,512,897	1,033,159	-	4,546,056
Other	16,849	66,832	-	83,681
	<u>9,510,652</u>	<u>(2,424,582)</u>	<u>(2,456,333)</u>	<u>4,629,737</u>
<b>Net deferred tax liability</b>	<u>6,036,131</u>	<u>(4,437)</u>	<u>(2,456,333)</u>	<u>3,575,361</u>

<b>Economic Entity</b>	<b>Economic Entity</b>
<b>2010</b>	<b>2009</b>
<b>\$</b>	<b>\$</b>

**11. CASH AND CASH EQUIVALENTS**

Cash at bank	3,038,203	2,598,541
Short-term bank deposits	4,082,091	15,000,000
	<u>7,120,294</u>	<u>17,598,541</u>

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	Economic Entity 2010 \$	Economic Entity 2009 \$
<b>12. HELD TO MATURITY INVESTMENTS</b>		
Term Deposits	<u>9,205,618</u>	-
<b>13. TRADE &amp; OTHER RECEIVABLES</b>		
<b>Current</b>		
GST refunds owing	154,141	81,846
Accrued interest	235,600	230,938
Other receivables	-	30,876
	<u>389,741</u>	<u>343,660</u>
<b>Non-Current</b>		
Loans – other related parties	-	292,231
Provision for impairment	-	(292,231)
	<u>-</u>	<u>-</u>
<b>Provision for impairment</b>		
Opening balance	292,231	-
Charge for the year	-	292,231
Reversal of impairment	(292,231)	-
Closing balance	-	292,231
<b>14. INVENTORIES</b>		
Finished goods - at cost	<u>147,421</u>	<u>151,624</u>
<b>15. OTHER ASSETS</b>		
<b>Current</b>		
Prepayments	<u>45,013</u>	<u>5,712</u>
<b>Non-Current</b>		
Security deposits	<u>151,921</u>	<u>985,500</u>
<b>16. DISCONTINUED OPERATIONS</b>		
<b>(a) Details of operations held for sale</b>		
On 18 June 2010, Planet Metals Limited in which Metallica Minerals Limited holds approximately 76% of the issued capital at 30 June 2010, entered into a Heads of Agreement-Option to purchase ("HOA") with Tropical Metals Pty. Ltd to sell the company's 100% shareholding in Wolfram Camp Mining Pty. Ltd for \$8 million. Wolfram Camp Mining Pty. Ltd holds 85% of the Wolfram Camp project tenements and assets, and is earning an interest in the Bamford Hill tenements. On 15 September 2010, a Share Sale Agreement was signed with Tropical Metals Pty Ltd for the sale of Wolfram Camp Mining Pty. Ltd which holds the Wolfram Camp project, for a total sale price (including deposits) of \$7.9 million.		

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Tropical Metals has completed due diligence and paid a total of \$400,000 in deposits. Completion of the transaction is now expected to occur on or before 60 days from 15 September 2010. A condition of the transaction requires a meeting of Planet Metals Shareholders to be held to approve the sale of the shares it holds in Wolfram Camp Mining Pty Ltd (Shareholder Approval). Planet Metals Limited receiving Shareholder Approval to the transaction is the remaining condition of the Share Sale Agreement. Planet Metals' major shareholder is the Parent Entity, Metallica Minerals Limited (76%) which has provided the Planet Metals' Chairman with an irrevocable proxy to vote in favour of the transaction at a shareholders' meeting.

As at 30 June 2010, Wolfram Camp Mining Pty. Ltd was classified as an Economic Entity asset held for sale.

**(b) Financial performance of operations held for sale**

The results of the discontinued operations for the year are presented below:

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	\$	\$
Revenue	-	-
Expenses	(40,556)	-
Gross profit/(loss)	(40,556)	-
Loss before tax from discontinued operations	(40,556)	-
Income tax expense	-	-
Loss for the year from discontinued operations	(40,556)	-

No loss from discontinued operations exist for 2009 as the discontinued operation was acquired on 4 June 2009 as part of the acquisition of Planet Metals Ltd.

**(c) Assets and liabilities - held for sale operations**

The major classes of assets and liabilities of Wolfram Camp Mining Pty. Ltd at 30 June 2010 are as follows:

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	\$	\$
Assets		
Property, plant and equipment	2,193,216	
Exploration and evaluation assets	1,291,137	
Security deposits	817,627	
	4,301,980	
Liabilities		
Provision for rehabilitation	(817,627)	
Net assets/(liabilities) attributable to discontinued operation	3,484,353	

**(d) Cash flow information - held for sale operations**

The net cash flows of Wolfram Camp Mining Pty. Ltd are as follows:

	<b>2010</b>	<b>2009</b>
	\$	\$
Operating activities	(40,556)	-
Net cash outflow	(40,556)	-

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**17. INVESTMENTS IN ASSOCIATES**

Summary of financial information for equity accounted investees, not adjusted for ownership interest:

	Ownership interest	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenues	Expense	Profit/(loss)	Equity accounted share of profit/(loss)
<b>2010</b>											
Cape Alumina Limited	30%	4,058,721	12,211,545	16,270,266	425,846	-	425,846	313,696	(2,070,266)	(1,762,978)	(304,728)
Orion Metals Limited	34%	960,284	1,444,504	2,404,788	254,919	-	254,919	368,164	(1,051,219)	(683,055)	(232,239)
											<u>(536,967)</u>
<b>2009</b>											
Cape Alumina Limited	33%	11,670,203	6,695,218	18,365,537	727,344	-	727,344	165,973	(3,545,178)	(3,379,205)	<u>(1,238,263)</u>
											<u>(1,238,263)</u>

The carrying values and market values of interests in equity accounted investees:

	Economic Entity	Carrying value at ASX market value 30 June at 30 June
<b>2010</b>		
Cape Alumina Limited		1,023,834
Orion Metals Limited		392,554
		<u>1,416,388</u>
		<u>15,486,096</u>
		<u>1,166,666</u>
		<u>16,652,762</u>
<b>2009</b>		
Cape Alumina Limited		1,703,074
		<u>21,293,382</u>

During the years ended 30 June 2010 and 30 June 2009 the Economic Entity did not receive dividends from any of its investments in associates. Orion Metals Ltd became an associate during the year ended 30 June 2010.

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	Economic Entity 2010 \$	Economic Entity 2009 \$
<b>18. AVAILABLE FOR SALE FINANCIAL ASSETS</b>		
Investments in listed entities - at fair value***	47,999	244,763
Investments in unlisted entities	70,684	50,000
	<u>118,683</u>	<u>294,763</u>

\*\*\*The listed entity investments are listed on the Australian Securities Exchange.

**19. PLANT & EQUIPMENT**

Plant & equipment at cost	1,182,337	3,498,004
Accumulated depreciation	(618,304)	(672,202)
	<u>564,033</u>	<u>2,825,802</u>

**Reconciliations**

Reconciliations of the carrying amount of each class of property, plant and equipment between the beginning and the end of the financial year.

Balance at the beginning of the year	2,825,802	371,197
Additions	252,833	171,613
Disposals	(71,911)	-
Acquisition of subsidiary	-	2,478,071
Transferred to held for sale assets	(2,193,216)	-
Depreciation	(249,475)	(195,079)
Balance at the end of the year	<u>564,033</u>	<u>2,825,802</u>

**20. EXPLORATION AND EVALUATION EXPENDITURE**

Exploration and evaluation expenditure carried forward in respect of areas of interest	25,391,475	18,883,976
Other deposits	104,644	8,951
	<u>25,496,119</u>	<u>18,892,947</u>

**Reconciliation**

Balance at the beginning of the year	18,892,947	11,719,106
Additions	8,297,429	6,071,109
Acquisition of subsidiary	-	1,516,386
Transferred to held -for-sale assets	(1,291,137)	-
Exploration costs written off	(403,120)	(413,654)
Balance at the end of the year	<u>25,496,119</u>	<u>18,892,947</u>

**21. TRADE AND OTHER PAYABLES**

Trade payables and accruals	901,652	1,084,092
Annual leave	86,828	135,860
	<u>988,480</u>	<u>1,219,952</u>

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	<b>Economic Entity 2010</b>	<b>Economic Entity 2009</b>		
<b>22. FINANCIAL LIABILITIES</b>				
<b>Current</b>				
Hire purchase liability	30,398	66,347		
<b>23. PROVISIONS</b>				
Provision for rehabilitation	-	817,627		
Long service leave	26,812	-		
	<u>26,812</u>	<u>817,627</u>		
<b>Reconciliation</b>				
Opening balance	817,627	-		
Transferred to held for sale liabilities	(817,627)	-		
Acquisition of subsidiary	-	817,627		
Closing balance	-	817,627		
The provision for rehabilitation provides for obligations to rehabilitate disturbed areas at Wolfram Camp.				
<b>24. ISSUED CAPITAL</b>				
117,331,202 (2009:121,740,917) fully paid ordinary shares	20,898,604	20,339,783		
Transaction costs relating to share issues (net of tax)	(604,098)	(604,098)		
	<u>20,294,506</u>	<u>19,735,685</u>		
	<b>Economic Entity 2010</b>	<b>Economic Entity 2009</b>		
	#	\$	#	\$
<b>a) Ordinary Shares</b>				
Balance at beginning of the year	121,740,917	19,735,685	112,432,628	16,688,190
Shares issued during the year				
- Acquisition of Greenvale and Lucknow tenements	3,333,333	933,333	-	-
- Non-cash selective share buy back	(7,743,048)	(374,512)	-	-
- Share options exercised	-	-	2,130,000	426,000
- Acquisition of Planet Metals Limited	-	-	7,178,289	2,621,495
Balance at end of the year	<u>117,331,202</u>	<u>20,294,506</u>	<u>121,740,917</u>	<u>19,735,685</u>

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meeting each ordinary share is entitled to one vote when a poll is called, otherwise each share has one vote on a show of hands. Effective 1 July 1998, the Corporations legislation in place abolished the concept of authorised capital and par value shares. Accordingly, there is no authorised capital or par value incorporated in the issued issues.

During the year 3,333,333 shares were issued for the acquisition of the Greenvale and Lucknow tenements.

During the year 7,743,048 shares were bought back and cancelled in accordance with a non-cash selective share buy-back and transfer agreement.

During the prior year 2,130,000 options issued to Directors and an employee and exercisable at 20 cents were exercised. In addition, 7,178,289 shares were issued in the takeover of Planet Metals Ltd as detailed in note 33.

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**b) Details of the options outstanding as at the end of the year:**

Grant Date	Expiry Date	Exercise Price \$	Economic Entity and Parent Entity 2010 #	Economic Entity and Parent Entity 2009 #
22 November 2006	31 December 2009	25 cents	-	500,000
22 November 2006	31 December 2009	50 cents	-	2,000,000
12 February 2007	31 December 2009	30 cents	-	400,000
12 February 2007	31 December 2009	80 cents	-	1,950,000
1 July 2007	31 December 2009	80 cents	-	400,000
29 September 2007	28 December 2012	65 cents	1,100,000	1,100,000
23 November 2007	31 December 2010	80 cents	500,000	500,000
12 February 2010	12 February 2012	35 cents	2,400,000	-
31 May 2010	31 May 2012	35 cents	3,000,000	-
			<u>7,000,000</u>	<u>6,850,000</u>

During the current year the following options were issued:

- On 12 February 2010, 2,400,000 options were granted to employees. These options vest if the employee is still employed on 12 February 2011, are exercisable at 35 cents and expire on 12 February 2012.
- On 31 May 2010, 3,000,000 options were granted to Directors. These options vest if the Director is still a Director on 31 May 2011, are exercisable at 35 cents and expire on 31 May 2012.

During the prior year, no options were issued.

Economic Entity 2010 \$	Economic Entity 2009 \$
-------------------------	-------------------------

**25. RESERVES**

Options reserve	5,681,251	5,465,948
Gain in change in proportionate interest	6,928,375	1,198,689
Asset revaluation surplus	201,460	205,660
Total reserves	<u>12,811,086</u>	<u>6,870,297</u>

**a) Options reserve**

Opening balance	5,465,948	5,136,228
Option expense - parent	215,303	322,079
Options issued - subsidiary	-	7,641
Closing balance	<u>5,681,251</u>	<u>5,465,948</u>

The purpose of the options reserve is to record the issue of share based payments.

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	Economic Entity 2010	Economic Entity 2009
	\$	\$
<b>b) Asset revaluation surplus</b>		
Opening balance	205,660	5,850,667
Net revaluation	<u>(4,200)</u>	<u>(5,645,007)</u>
Closing balance	<u>201,460</u>	<u>205,660</u>
The purpose of the asset revaluation surplus is to record movements in the fair value of available for sale financial assets.		
<b>c) Gain on change in proportionate interest</b>		
Balance at beginning of the year	1,198,689	1,198,689
MetroCoal Limited initial public offering	<u>5,729,686</u>	<u>-</u>
Balance at end of the year	<u>6,928,375</u>	<u>1,198,689</u>

The purpose of the gain on change in proportionate interest reserve is to record the proportionate change in interest in the assets of subsidiaries that raise capital from non-controlling interests.

**26. EARNINGS PER SHARE**

	2010 (Number)	2009 (Number)
Weighted average number of shares used as the denominator in calculating basic earnings per share	121,527,345	114,175,744
Weighted average number of options used in calculating diluted earnings per share	<u>-</u>	<u>900,000</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>121,527,345</u>	<u>115,075,744</u>

	2010 \$	2009 \$
Net profit/(loss) after tax used in calculating basic earnings per share	(3,024,947)	2,713,043
Net profit/(loss) after tax used in calculating diluted earnings per share	<u>(3,024,947)</u>	<u>2,713,043</u>

Options are considered for the 2010 financial year to be "potential ordinary shares" but were anti dilutive in nature and therefore the diluted loss per share is the same as the basic loss per share.

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**27. CONTROLLED ENTITIES**

<b>Investments in controlled entities</b>	<b>Country of Incorporation</b>	<b>Percentage Ownership</b>	<b>Percentage Ownership</b>	<b>Class of Shares</b>
		<b>2010</b>	<b>2009</b>	
Greenvale Operations Pty Ltd	Australia	100%	-	Ord
Scandium Pty Ltd	Australia	100%	-	Ord
NORNICO Pty Ltd (formerly QLD Gold Pty Ltd)	Australia	100%	100%	Ord
Oresome Australia Pty Ltd	Australia	100%	100%	Ord
MetroCoal Limited	Australia	56%	84.21%	Ord
Phoenix Lime Pty Ltd	Australia	100%	100%	Ord
Lucky Break Operations Pty Ltd	Australia	100%	100%	Ord
Planet Metals Ltd (formerly Queensland Ores Ltd)	Australia	76.16%	77.23%	Ord

The fair values of subsidiaries listed separately on the Australian Securities Exchange are not recognised in the financial statements. The fair value of these investments are:

	<b>ASX Market Value</b>	<b>ASX Market Value</b>
	<b>2010</b>	<b>2009</b>
	\$	\$
<b>MetroCoal Ltd</b>	20,000,000	-
<b>Planet Metals Ltd</b>	4,093,209	3,929,123
	<b>24,093,249</b>	<b>3,929,123</b>

**28. JOINT VENTURE AND OTHER AGREEMENTS**

**Lucky Break Farm In Agreement**

On the 27 September 2005, Metallica and Metals Finance Corporation (MFC) signed a joint venture agreement with respect to Metallica's Lucky Break nickel project. MFC has completed a detailed Feasibility Study on the proposed Heap Leach Nickel Demonstration (HLND) project and elected to proceed (at its cost) to develop the Project.

**Kokomo Scandium Joint Venture**

On the 1st of September 2004 QLD Gold Pty Ltd (now NORNICO Pty. Ltd) signed a formal Joint Venture Agreement with Straits Resources Ltd. QLD Gold (now NORNICO) granted certain rights to Straits Exploration (Australia) Pty Ltd principally with respect to the potential of scandium within EPM10699. Under this agreement, Straits have a 5 year period in which to earn a maximum 70% interest in the Tenement by contributing a total of \$1.4 Million. Straits shall earn an interest in the Tenement at a rate of a 10% interest for every \$200,000 it spends. Straits are obliged to incur at least \$100,000 expenditure per annum. In addition to the scandium rights granted with respect to the tenement, QLD Gold (now NORNICO) has granted Straits the right (but not the obligation) to fund any exploration of a commercial scandium project in any tenement that QLD Gold (now NORNICO) or any of its related bodies corporate has an interest in that falls within a 200 km radius of the centre of the Kokomo tenement. During the year, Straits earned a 20% interest in the Kokomo tenement and continues to hold this interest. On 8 June 2010, it was acknowledged by QLD Gold Pty Ltd (now NORNICO Pty. Ltd) and Straits Resources Ltd, that Straits was entitled to hold a 20% interest in the Lucknow scandium Deposit and will fund 20% of the expenditure on this Deposit.

**Wolfram Camp/Barnford Hills Joint Ventures**

**Wolfram Camp Tungsten-Molybdenum Project (Planet Metals Limited 85%)**

Planet Metals Limited has an 85% interest in a joint venture with Tropical Metals Pty. Ltd over the Wolfram Camp tungsten and molybdenum mine situated 90 kms west of Cairns in Northern Queensland.

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**Bamford Hill Tungsten-Molybdenum-Tin-Gold Project (Planet Metals Limited earning up to 85%)  
(30km south-west of Wolfram Camp)**

Planet Metals Limited has an 85% interest in a joint venture with Tropical Metals Pty. Ltd over the Bamford Hills Project which is located approximately 30km south-west of Wolfram Camp, Bamford Hill has previously been the subject of small-scale historical mining activities, with a focus on tungsten, molybdenum, tin and gold.

**MetroCoal Limited**

**China Coal Joint Venture Agreement**

In April 2010, MetroCoal Limited entered into a Joint Venture Agreement (JVA) with China Coal Import & Export Company (CCIEC), a wholly owned subsidiary of China National Coal Group Corp (China Coal). Under the terms of the Agreement, CCIEC has acquired a 51% interest in MetroCoal's EPC 1165 Columboola in the Surat Basin, Queensland (Figure 2) for an agreed expenditure commitment of AUD\$30 million on EPC 1165. The funds will be used for exploring and evaluating the potential for future commercialisation options within the Columboola tenement and also opens up the opportunity for participation in MetroCoal's other tenements. The Columboola JVA requires a minimum expenditure of \$4 million within the first two years of the agreement.

	Economic Entity 2010 \$	Economic Entity 2009 \$
<b>29. COMMITMENTS FOR EXPENDITURE</b>		
<b>a) Commitments for maintaining exploration tenements payable:</b>		
- Not longer than 1 year	1,999,648	1,714,300
- Longer than 1 year but not longer than 5 years	3,771,856	4,351,200
- Longer than 5 years	106,260	-
	<hr/> 5,877,764	<hr/> 6,065,500
<b>b) Tenement rentals</b>		
- Not longer than 1 year	282,547	80,190
- Longer than 1 year but not longer than 5 years	<hr/> -	<hr/> 404,910
	<hr/> 282,547	<hr/> 485,100
<b>c) Hire purchase commitments</b>		
- Not longer than 1 year	30,398	35,949
- Longer than 1 year but not longer than 5 years	<hr/> -	<hr/> 30,398
	<hr/> 30,398	<hr/> 66,347
<b>d) ASSOCIATES Commitments for maintaining exploration tenements payable:</b>		
- Not longer than 1 year	466,213	243,000
- Longer than 1 year but not longer than 5 years	1,034,101	1,227,000
	<hr/> 1,500,314	<hr/> 1,470,000
<b>e) Operating lease commitments payable:</b>		
- Not longer than 1 year	168,034	31,630
- Longer than 1 year but not longer than 5 years	<hr/> 266,143	<hr/> 63,260
	<hr/> 434,177	<hr/> 94,890

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**f) Loan Fund Commitments**

Metallica Minerals Limited has provided loan facilities to an associate.

The position of these facilities (in the form of loans) as at 30 June 2009 was:

	<b>Used</b> \$	<b>Unused</b> \$	<b>Total Facility</b> \$
Orion Metals Limited	292,231	-	292,231

This loan has since been converted to equity in the associate.

**30. CONTINGENT LIABILITIES AND ASSETS**

The economic entity does not believe it has any contingent liability arising from any possible Native Title or other claims. The economic entity does not believe it has any contingent assets.

**Royalty Agreements**

On condition of QLD Gold Pty Ltd (now NORNICO Pty. Ltd) acquiring the Bell Creek Mining Leases, and the Minnamoolka and Kokomo tenements the company entered into royalty agreements with the previous owners of these tenements. Metallica has also entered into a royalty deed with the Dostal Superannuation Fund with respect to the Star River Limestone ML, as a condition of discharging a \$100,000 loan owed to the fund (this loan was converted to 1 million fully paid ordinary Metallica shares in April 2001).

The royalty agreements are summarised below.

**Royalty agreements between Metallica and third parties**

**Tenement/Company/Terms of the Royalty Agreement**

ML 4187 / ML 4188/ EPM 11285

AO Australia Pty Ltd

\$1.00/t for the first 5 Mt of ore produced and \$2.00/t for production of ore in excess of 5 Mt.

EPM 10699

Whim Creek Consolidated NL

\$50,000 per year upon granting of an ML, reduced by a royalty payable to WCC of \$1.00/ per dry tonne for production to 1 Mt of ore, \$1.50 per dry tonne from 1 – 3 Mt of ore and \$2.00/ dry tonne for production > 3 Mt of ore.

EPM 10235

Renison & Goldfields

\$1.00/t for the first 500,000t of ore produced and \$1.50/t for production in excess of 500,000t of ore.

ML 10276

Dostal Superannuation Fund

\$0.20 /t of Limestone produced from the Star River Limestone ML 10276

**Indigenous Land Use Agreement (ILUA)**

Metallica has negotiated an Indigenous Land Use Agreement (ILUA) with the Gugu Badhun People as the Traditional Landowners in the southern portion of the NORNICO project area. The ILUA was signed in Townsville on the 24<sup>th</sup> February 2005 and covers all of Metallica's southern NORNICO tenements from Broken River in the south to the Burdekin River in the North. The ILUA (QI2005/002) was approved by the National Native Title Tribunal (NNTT) on the 24<sup>th</sup> of August 2005 and is valid for 20 years.

Under the terms of the agreement, Metallica is required to pay for and facilitate a liaison committee which has to meet every 6 months probably in Townsville. Metallica also has to pay \$400 per day to members of the Cultural Heritage Survey and Monitoring team, and pay an annual rental fee of \$850 per exploration tenement for each Exploration Permit for Minerals (EPM) held by Metallica which fall within the area covered by the ILUA.

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The tenements which currently fall within ILUA QI2005/002 are listed below:

EPM 14518 – Mt Garnet South #2 (portion only)  
 EPM 10699 – Kokomo  
 EPM13873 – Six Mile  
 EPM 14070 – Greenvale North  
 EPM 14181 – Lucky Downs  
 EPM 14066 – Greenvale South  
 EPM 14381 – Greenvale South #2

	Economic Entity 2010 \$	Economic Entity 2009 \$
<b>31. RELATED PARTIES</b>		
<b>Key management personnel compensation</b>		
Short term employee benefits	758,783	624,522
Post-employment benefits	69,238	76,905
Long term benefits	25,389	-
Share-based payments	73,329	150,665
	<hr/> 926,739	<hr/> 852,092

**Shareholdings of Key Management Personnel**

2010	Balance 1 July	Received as Remuneration	Options Exercised	Net Change Other	Balance 30 June
<b>Directors</b>					
DK Barwick	100,000	-	-	90,000	190,000
AL Gillies	8,970,000	-	-	(100,000)	8,870,000
JK Haley	-	-	-	100,000	100,000
PB Nicholson*	-	-	-	-	-
W Shu**	-	-	-	-	-
<b>Other key management personnel</b>					
P Smith	195,000	-	-	(95,000)	100,000
<b>Total</b>	<hr/> 9,265,000	<hr/> -	<hr/> -	<hr/> (5,000)	<hr/> 9,260,000

\*Peter Nicholson is a Director of Resource Capital Funds Management Pty. Ltd, which is the Manager of Resource Capital Fund III and IV L.P. which together hold 7,203,532 shares in Metallica Minerals Limited.

\*\* Wu Shu is a Director of Jien Mining Pty. Ltd which holds 22,854,462 shares in Metallica Minerals Limited.

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2009	Balance 1 July	Received as Remuneration	Options Exercised	Net Change Other	Balance 30 June
<b>Directors</b>					
DK Barwick	295,000	-	305,000	(500,000)	100,000
AL Gillies	8,970,000	-	500,000	(500,000)	8,970,000
JK Haley	275,000	-	325,000	(600,000)	-
PB Nicholson	-	-	-	-	-
W Shu	-	-	-	-	-
MJ Ashley*	-	-	-	-	-
<b>Other key management personnel</b>					
P Smith	195,000	-	500,000	(500,000)	195,000
<b>Total</b>	<b>9,735,000</b>	<b>-</b>	<b>1,630,000</b>	<b>(2,100,000)</b>	<b>9,265,000</b>

No shares are held nominally at the end of the reporting period for either the directors or other key management personnel

\*Mark J Ashley resigned on 12 May 2009.

**Option holdings of Key Management Personnel**

2010	Granted				Balance at 30 June	Total Vested at 30 June	Total Exercisable at 30 June
	Balance at 1 July	as Remuneration	Options Exercised	Net Change Other			
<b>Directors</b>							
DK Barwick	500,000	500,000	-	(500,000)	500,000	-	-
AL Gillies	1,350,000	1,000,000	-	(1,000,000)	1,350,000	350,000	350,000
JK Haley	750,000	500,000	-	(500,000)	750,000	250,000	250,000
P Nicholson*	-	-	-	-	-	-	-
W Shu (T Li Alternate Director)**	-	500,000	-	-	500,000	-	-
<b>Other key management personnel</b>							
P Smith	570,000	500,000	-	(500,000)	570,000	70,000	70,000
<b>Total</b>	<b>3,170,000</b>	<b>2,500,000</b>	<b>-</b>	<b>(2,500,000)</b>	<b>3,170,000</b>	<b>670,000</b>	<b>670,000</b>

2009	Granted				Balance at 30 June	Total Vested at 30 June	Total Exercisable at 30 June
	Balance at 1 July	as Remuneration	Options Exercised	Net Change Other			
<b>Directors</b>							
DK Barwick	1,000,000	-	(305,000)	(195,000)	500,000	500,000	500,000
AL Gillies	1,850,000	-	(500,000)	-	1,350,000	1,000,000	1,000,000
JK Haley	1,250,000	-	(325,000)	(175,000)	750,000	500,000	500,000
P Nicholson*	-	-	-	-	-	-	-
MJ Ashley***	500,000	-	-	(500,000)	-	-	-
<b>Other key management personnel</b>							
P Smith	1,070,000	-	(500,000)	-	570,000	500,000	500,000
<b>Total</b>	<b>5,670,000</b>	<b>-</b>	<b>(1,630,000)</b>	<b>(870,000)</b>	<b>3,170,000</b>	<b>2,500,000</b>	<b>2,500,000</b>

\* Peter Nicholson is a Director of Resource Capital Funds Management Pty Ltd, which is the manager of Resource Capital Fund III and IV which together hold 500,000 options in Metallica Minerals Ltd.

\*\* Wu Shu is a Director of Jien Mining Pty Ltd. Mr Tao Li as alternate director to Wu Shu holds 500,000 options in Metallica Minerals Ltd.

\*\*\* Mark J Ashley resigned on 12 May 2009.

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**Loans and/or transactions with key management personnel**

There were no transactions with or loans outstanding to key management personnel for the year ended 30 June 2010 (2009: nil).

**Other related party transactions**

Loans to other related parties	-	292,231
	Economic Entity 2010 \$	Economic Entity 2009 \$

**32. CASH FLOW INFORMATION**

**(a) Reconciliation of cash flow from operations with profit/(loss) after tax**

Profit/(loss) after income tax	(3,822,394)	2,578,402
<b>Non-cash flows:</b>		
Depreciation	249,475	195,079
Profit on sale of fixed assets	(61,952)	-
Share of net losses of associate	536,967	1,238,263
Employee provisions	22,219	-
Provision for/( reversal) impairment of loans & receivables	(292,231)	292,231
Impairment of financial assets	200,913	-
Share based payments	227,178	329,720
Impairment of exploration expenditure	403,120	413,654
Profit on sale of investment	-	(8,250,000)
Impairment of financial assets	-	50,000
<b>Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:</b>		
Decrease/(increase) in inventory	4,203	(26,183)
Decrease/(increase) in other assets	(39,301)	1,063,483
Decrease/(increase) in trade & other receivables	(46,081)	(110,337)
Increase/(decrease) in trade & other payables	(171,739)	423,968
Increase/(decrease) in tax liabilities	(1,768,395)	(907,560)
<b>Cash flow from operations</b>	<b>(4,558,018)</b>	<b>(890,433)</b>

**(b) Non cash transactions**

During the year the economic entity issued 3,333,333 of shares worth \$933,333 to the vendors of the Greenvale and Lucknow tenements and bought back 7,743,048 shares worth \$374,512 by transferring title in Cape Alumina Ltd shares to RCF.

In the prior year and Planet Metals Ltd was acquired by the issue 7,178,289 shares as detailed in Note 33.

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**33. ACQUISITION OF SUBSIDIARIES**

On 4 June 2009 the parent entity acquired 71.53% of the issued share capital of Planet Metals Limited (formerly Queensland Ores Limited). This had increased to 77.23% by 30 June 2009, and had been reduced to 76.16% as at the date of this report.

The acquired business contributed revenues of \$322 and a net loss of \$169,795 to the Economic Entity for the period 4 June 2009 to 30 June 2009.

The acquired business contributed revenues of \$142,371 and a net loss of \$587,218 to the Economic Entity for the period 1 July 2009 to 30 June 2010.

If the acquisition had occurred on 1 July 2008, consolidated revenue and consolidated loss for the year ended 30 June 2009 would have been \$10,942,372 and \$36,032,077 respectively. These amounts have been calculated using the Economic Entity's accounting policies.

	<b>2009</b>
<b>Purchase consideration</b>	\$
Equity issued	2,621,495
Cash consideration	-
Transaction costs	-
<b>Total consideration</b>	<b>2,621,495</b>

**Fair value of net assets acquired**

Cash	452,698
Other assets	840,404
Plant and equipment	2,478,071
Exploration expenditure	1,516,386
Trade and other payables	(130,477)
Provisions	(886,249)
Financial liabilities	(634,209)
<b>Net Assets on acquisition</b>	<b>3,636,673</b>
Non controlling interest (28.47%)	(1,015,128)
<b>Total net asset acquired</b>	<b>2,621,495</b>

**Inflow of cash**

Cash consideration including transaction costs	-
Less cash balances acquired	452,698
<b>Inflow of cash</b>	<b>452,698</b>

On 30 June 2009, the Economic Entity acquired an additional 5.7% of the voting shares of Planet Metals Limited, resulting to an increase in ownership to 77.23% at 30 June 2009.

The Economic Entity paid cash consideration of \$1,312,907. Fair value of the net assets of Planet Metals Limited at this date amounted to \$5,118,398 which equated to a proportionate fair value of the additional investment of \$1,402,461, and total net assets acquired of \$3,952,939. The difference of \$89,554 between the consideration and the fair value of the additional investment acquired has been recognised as a discount on acquisition of subsidiary in the profit and loss.

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**34. FINANCIAL INSTRUMENTS**

**a) Capital risk management**

The Economic Entity manages its capital to ensure that it will be able to continue as a going concern.

The capital structure of the Economic Entity consists of equity attributable to equity holders of the parent entity, as disclosed in Notes 24 and 25, comprising of issued capital, reserves and accumulated losses as disclosed in the Statement of Changes in Equity. In common with many other exploration companies, the parent raises finance for the Economic Entity's exploration and appraisal activities in discrete tranches. The economic entity's overall strategy remains unchanged from 2009.

The working capital position (i.e. liquidity risk) of the Economic Entity is as follows:

	<b>Economic Entity 2010</b>	<b>Economic Entity 2009</b>
	\$	\$
Current assets	21,210,067	18,099,537
Current liabilities	(1,836,506)	(2,179,629)
Working capital surplus/ (deficit)	<u>19,373,561</u>	<u>15,919,908</u>

**b) Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability, and equity instrument are disclosed in Note 4 to the statement of financial position.

**c) Financial risk management objectives**

The financial risks of the economic entity include market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The economic entity does not hedge these risk exposures. The Economic Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**d) Market risk**

Market risk is the risk that changes in market prices such as interest rates and equity prices will affect the Economic Entity's income and value of its holdings.

The Economic Entity's activities expose it primarily to the financial risks of changes in interest rates on its cash and cash equivalents. It is the policy of the Economic Entity to manage their risks by continuously monitoring interest rates. There has been no change to the economic entity's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

*(i) Foreign currency risk management*

The Economic Entity does not yet undertake any transactions denominated in foreign currencies.

*(ii) Interest risk management*

Interest rate risks are caused by fluctuations in interest rates which, in turn, are due to market factors.

*Interest rate sensitivity*

The Economic Entity's main interest rate risk arises from cash and cash equivalents and held to maturity investments. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the economic entity's profit/loss before taxes through the impact on cash and cash equivalents and held to maturity investments with a decrease or an increase of 0.25% in interest rates.

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	Economic Entity 2010	Economic Entity 2009
	\$	\$
<b>Sensitivity</b>		
Cash and cash equivalents		
and held to maturity investments	16,325,912	17,598,541
Effect on income before taxes		
increase 0.25%	40,815	43,996
decrease 0.25%	(40,815)	(43,996)

*(iii) Price risk management*

The economic entity is exposed to equity securities price risk. This arises from investments held by the economic entity and classified on the statement of financial position as available-for-sale. All of the economic entity equity investments are publicly traded on the ASX

The price risk for the unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity.

**e) Liquidity risk management**

Liquidity risks are caused by the inability to raise the money needed to meet payment liabilities as and when they fall due. The economic entity manages liquidity risk by maintaining adequate reserves and by continually monitoring forecast and actual cash flows and cash balances. The parent entity raises equity for the economic entity's exploration and appraisal activities in discrete tranches.

At 30 June 2010 and 30 June 2009 the only financial liabilities of the economic entity were trade payables and accruals and hire purchase liabilities. The contracted maturity of finance lease are disclosed in Note 29. All trade payables and accruals have a contractual maturity of 6 months or less. The working capital position is disclosed in Note 34(a).

**f) Credit risk management**

In relation to financial assets, credit risk arises from the potential failure of counterparties to meet their obligations under a contract or arrangement. Credit risk for the economic entity arises from cash and cash equivalents and outstanding receivables. The economic entity is not exposed to any material credit risks and only trade with credit worthy third parties, outside of cash & cash equivalents and held to maturity investments which are all held with Australian regulated banks.

**g) Fair values**

All financial assets and liabilities comprising cash and cash equivalents, trade and other receivables, available for sale financial assets, and trade and other payables are stated at their fair value.

**h) Hierarchy**

The following tables classify financial instruments in the statement of financial position of the Economic Entity according to the hierarchy stipulated in AASB 7 as follows:

- Level 1 the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly or indirectly; or
- Level 3 a valuation technique is used using inputs that are not based on observable market data.

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**Economic entity**

2010	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Available for sale financial assets:				
- listed equity securities	47,999	-	-	47,999
- unlisted equity securities*	-	-	70,684	70,684
	-	-	-	-
	<b>47,999</b>	<b>-</b>	<b>70,684</b>	<b>118,683</b>
 <b>2009</b>				
<b>Assets</b>				
Available for sale financial assets:				
- listed equity securities	244,763	-	-	244,763
- unlisted equity securities*	-	-	50,000	50,000
	-	-	-	-
	<b>244,763</b>	<b>-</b>	<b>50,000</b>	<b>294,763</b>

\* This investment was initially acquired in 2008 for \$50,000 and a further investment of \$20,000 in 2010. The fair value has been based on the underlying net assets of the investment.

Economic Entity 2010 \$	Economic Entity 2009 \$
----------------------------------	----------------------------------

**35. AUDITOR'S REMUNERATION**

Remuneration of the auditors of the economic entity for:

Audit and review of financial reports	75,800	60,150
Other services - taxation	29,727	14,255
Other auditors remuneration	48,454	-
	<b>154,181</b>	<b>74,405</b>

**36. SHARE-BASED PAYMENTS**

**Options – Metallica Minerals Limited**

During the current year the following share-based payment options were granted:

- On 12 February 2010, 2,400,000 options were granted to employees. These options vest if the employee is still employed on 12 February 2011, are exercisable at 35 cents and expire on 12 February 2012; and
- On 31 May 2010, 3,000,000 options were granted to Directors. These options vest if the Director is still a Director on 31 May 2011, are exercisable at 35 cents and expire on 31 May 2012.

During the prior year no options were granted.

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**Economic Entity**

	2010		2009	
	No. of options	Weighted average exercise price \$	No. of options	Weighted average exercise price \$
	exercise price \$	Weighted average exercise price \$	exercise price \$	Weighted average exercise price \$
Outstanding at beginning of year	6,750,000	0.487	10,350,000	0.487
Granted	5,400,000	0.35	-	-
Forfeited	(5,150,000)	0.487	(1,470,000)	-
Exercised	-	-	(2,130,000)	-
Outstanding at year-end	<u>7,000,000</u>	<u>0.374</u>	<u>6,750,000</u>	<u>0.487</u>
Exercisable at year-end	1,600,000	0.487	6,180,000	0.487

The price of all options were calculated by using a Black-Scholes options pricing model applying the following inputs (there were no employee options granted in the 2009 year):

2010	Issued on 12/02/2010	Issued on 31/05/2010	Total issued in 2010
Weighted average exercise price	0.35	0.35	0.35
Weighted average life of the option	2 years	2 years	2 years
Underlying share price	\$0.26	\$0.28	
Expected share price volatility	60.72%	58.27%	
Risk free interest rate	4.54%	4.96%	
Number of options issued	2,400,000	3,000,000	5,400,000
Value (Black-Scholes) per option	\$0.069	\$0.078	\$0.074
Total value of options issued	\$165,600	\$234,000	\$399,600

Options granted had varying exercise prices and vesting dates and therefore different values. This value represents the weighted average value per option.

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under Employee Benefits Expense in the Statement of Comprehensive Income is \$227,178 (2009: \$322,079) for amortisation of equity-settled share-based payment transactions in accordance with AASB2.

**Options - MetroCoal Limited**

During the current year the following options were issued:

- On 1 July 2009, 500,000 options were granted to an employee for nil consideration. These options are exercisable at 25 cents and expire on 4 December 2014.

During the prior year the following options were issued:

- On 28 November 2008, 3,500,000 options were granted to directors and employees for nil consideration. These options are exercisable at 25 cents and expire on 4 December 2012; and
- On 29 June 2009, 2,250,000 options were granted to employees for nil consideration. These options are exercisable at 25 cents and expire on 4 December 2012.

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	2010	Weighted average exercise price \$	2009	Weighted average exercise price \$
	No. of options	No. of options		
Outstanding at beginning of year	5,750,000	0.25	-	-
Granted	500,000	0.25	5,750,000	0.25
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding at year-end	<u>6,250,000</u>	<u>0.25</u>	<u>5,750,000</u>	<u>0.25</u>
Exercisable at year-end	6,250,000			

The price of all options were calculated by using a Black-Scholes options pricing model applying the following inputs:

2010	Issued on 1 July 2009	Total issued in 2010
Weighted average exercise price	\$0.25	
Weighted average life of the option	5 years	
Underlying share price	\$ 0.0125	
Expected share price volatility	95.257%	
Risk free interest rate	5.17%	
Number of options issued	500,000	500,000
Value (Black-Scholes) per option	\$ 0.004	
Total value of options issued	\$1,916	

2009	Issued on 29 June 2009	Issued on 28 November 2008	Total issued in 2009
Weighted average exercise price	\$0.25	\$0.25	
Weighted average life of the option	3 years	3 years	
Underlying share price	\$ 0.0125	\$0.019	
Expected share price volatility	95.257%	95.257%	
Risk free interest rate	5.19%	3.97%	
Number of options issued	2,250,000	3,500,000	5,750,000
Value (Black-Scholes) per option	\$ 0.002	\$ 0.004	
Total value of options issued	\$3,588	\$14,000	

Options granted had varying exercise prices and vesting dates and therefore different values. This value represents the weighted average value per option.

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under Employee Benefits Expense in the Statement of comprehensive income is \$11,875 (2009: \$7,641) and relates in full to amortisation of equity-settled share-based payment transactions.

**Options - Planet Metals Limited**

On 1 March 2010 the Company issued 1,500,000 C.E.O. Options to Brett O'Donovan. The options were valued at their grant date by an independent expert. Total expense in 2010 was \$20,399 (2009: Nil). In the prior year 1,000,000 CEO options held by John Greenwood were relinquished during the financial year pursuant to conditions of the takeover by Metallica Minerals Limited. At 30 June 2009 no CEO options were on issue. At 30 June 2010, 1,500,000 CEO options were on issue.

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Movements in options during the year were as follows:

	<b>Economic Entity</b>	
	<b>Number of Options 2010</b>	<b>Number of Options 2009</b>
At the beginning of reporting period:	-	36,180,222
Issued on 1 March 2010 (CEO options)	1,500,000	-
Options exercised during the period	-	-
Employee options lapsed during the period	-	--
Listed options expired unexercised on 30 November 2008	-	(34,730,222)
Director and CEO options relinquished during the period	-	(1,450,000)
Balance at reporting date	<b>1,500,000</b>	-

**37. SUBSEQUENT EVENTS**

On 18 June 2010, Planet Metals Limited, in which Metallica Minerals Limited holds approximately 76% of the issued capital at 30 June 2010, entered into a Heads of Agreement ("HOA") with Tropical Metals Pty. Ltd to sell the company's 100% shareholding in Wolfram Camp Mining Pty. Ltd for \$8 million. Wolfram Camp Mining Pty. Ltd holds 85% of the Wolfram Camp project tenements and assets, and is earning an interest in the Bamford Hill tenements. On 15 September 2010, a Share Sale Agreement was signed with Tropical Metals Pty Ltd for a total sale price (including deposits) of \$7.9 million.

Tropical Metals has completed due diligence and paid a total of \$400,000 in deposits. Completion of the transaction is now expected to occur on or before 60 days from 15 September 2010. A condition of the transaction requires a meeting of Planet Metals Shareholders to be held to approve the sale of the shares it holds in Wolfram Camp Mining Pty Ltd (Shareholder Approval). Planet Metals Limited receiving Shareholder Approval to the transaction is the remaining condition of the Share Sale Agreement. Planet Metals' major shareholder, which is the Parent Entity, Metallica Minerals Limited (76%) has provided the Planet Metals' Chairman with an irrevocable proxy to vote in favour of the transaction at a shareholders' meeting, which will be held on 22 October 2010.

Planet Metals Limited has also proposed a capital return of 7 cents per share which will be voted on at the same meeting of Planet Metal Shareholders on 22 October 2010. Should this capital return be approved, approximately \$3.1 million will be returned to Metallica Minerals Limited.

Assuming completion of this transaction, Planet Metals will be in a very strong financial position to progress its 100% owned Mount Cannindah copper-gold project and review additional growth opportunities as they arise.

Since balance date, MetroCoal Limited has confirmed that China Coal has received approvals from the Chinese Government's National Development Reform Commission (NDRC), Ministry of Commerce and The State Administration of Foreign Exchange for China Coal's \$30 million joint venture agreement with the company. These Chinese Government agency approvals were required before the joint venture begins. MetroCoal Limited also announced that indicative approval has been received from the Queensland Department of Employment, Economic Development and Innovation (DEEDI) for the assignment of 51% of EPC 1165, Columboola.

MetroCoal announced interim results of its 2010 initial drilling program, with the Bundi underground inferred coal resource increasing significantly from 58 Mt to 292 Mt, and also announced a maiden resource of 156 Mt for its Norwood project area.

MetroCoal Limited also announced that it has signed an agreement with an Australian entity holding a 100% interest in Indonesian coal exploration project areas. MetroCoal Limited has invested \$130,000 and will hold twenty per cent of the expanded capital of this entity and has an option to increase this holding to 51% after completion of further due diligence.

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**38. PARENT ENTITY INFORMATION**

The *Corporations Act* requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by the new regulation 2M.3.01 which requires the following limited disclosure in regards to the parent entity Metallica Minerals Limited. The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policy described in Note.

	<b>2010</b>	<b>2009</b>
	\$	\$
Current assets	7,152,749	16,631,356
Non-current assets	<u>32,675,160</u>	<u>26,061,862</u>
Total assets	<u>39,827,909</u>	<u>42,693,218</u>
Current liabilities	335,531	1,862,082
Non-current liabilities	<u>3,172,340</u>	<u>4,239,766</u>
Total liabilities	<u>3,507,871</u>	<u>6,101,848</u>
Net assets	<u>36,320,038</u>	<u>36,591,370</u>
Issued capital	20,294,506	19,735,685
Reserves	5,875,070	5,663,967
Retained earnings/(accumulated losses)	<u>10,150,462</u>	<u>11,191,718</u>
Total shareholders' equity	<u>36,320,038</u>	<u>36,591,370</u>
Profit/(loss) for the year	<u>(1,041,256)</u>	<u>4,703,814</u>
Total comprehensive income / (loss)for the year	<u>(1,045,456)</u>	<u>(941,193)</u>

**Guarantees**

No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries.

**Contractual commitments**

There were no contractual commitments for the acquisition of property, plant and equipment entered into by the parent entity at 30 June 2010 (2009 - \$nil).

**Contingent liabilities**

The parent entity has no contingent liabilities.

**39. COMPANY DETAILS**

The company's registered office and principal place of business is located at:

71 Lytton Road  
East Brisbane Qld 4169

Company Secretary: John Kevin Haley

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**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001, including:
  - (a) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - (b) giving a true and fair view of the financial position as at 30 June 2010 and performance for the year ended on that date of the economic entity,
2. The financial statements also comply with International Financial Reporting Standards as disclosed in note 2 (a).
3. The Remuneration Report as set out in the Directors' Report complies with Section 300A of the Corporations Act 2001.
4. The Managing Director and Chief Financial Officer have declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Australian Accounting Standards (including Australian Accounting Interpretations); and
  - (c) the financial statements and notes for the financial year give a true and fair view.
5. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

  
**D K Bawick**  
Chairman

Dated at Brisbane this 22 day of September 2010

## INDEPENDENT AUDITOR'S REPORT

To the members of Metallica Minerals Limited

### Report on the Financial Report

We have audited the financial report of Metallica Minerals Limited, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the economic entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

### **Auditor's Opinion**

In our opinion:

- (a) the financial report of Metallica Minerals Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the economic entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

### **Emphasis of Matters on Uncertainties Regarding Going Concern and Recoverability of Exploration & Evaluation Expenditure and Held for Sale Assets**

Without qualification to the opinion expressed above, we draw attention to the matters set out in Note 3. 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. This includes the realisation of capitalised exploration & evaluation expenditure of \$25,496,119 (30 June 2009: \$18,892,947) as summarised in Note 20 and held for sale assets of \$4,301,980 (30 June 2009: Nil) as summarised in Note 16. The ability of the economic entity to maintain continuity of normal business activities, to pay their debts as and when they fall due and to recover the carrying value of exploration & evaluation expenditure and held for sale assets, is dependent upon the ability of the economic entity to successfully raise additional capital and/or the successful exploration and subsequent exploitation of their areas of interest through sale or development. No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the economic entity's plans not eventuate.

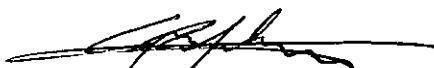
### **Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's Opinion**

In our opinion, the Remuneration Report of Metallica Minerals Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

**BDO Audit (QLD) Pty Ltd**



**CRAIG JENKINS**

Director

Brisbane, 22 September 2010

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**SHAREHOLDER INFORMATION**

**Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 28 September 20010.**

Distribution of equity securities and the number of holders by size of holding in each class of security (the Company has only one class of listed securities, being Ordinary Shares) are:

	<b>Ordinary shares</b>	
	<b>Number of holders</b>	<b>Number of shares</b>
1-1,000	432	211,281
1,001-5,000	739	2,172,452
5,001-10,000	417	3,491,318
10,001-100,000	689	21,539,172
100,001 and over	103	89,916,979
<b>Total</b>	<b>2,380</b>	<b>117,331,202</b>

**The number of security investors holding less than a marketable parcel of 1725 securities (\$0.29 on 15/09/2010) is 587 and they hold 419,982 securities.**

**Unlisted Director and Employee Options**

	<b>Unlisted \$0.35 options exercisable on or before 31 May 2011</b>		<b>Unlisted \$0.35 options exercisable on or before 12 February 2011</b>	
	<b>Number of holders</b>	<b>Number of options</b>	<b>Number of holders</b>	<b>Number of options</b>
100,001 and over	5	3,000,000	12	2,400,000
<b>Total</b>	<b>5</b>	<b>3,000,000</b>	<b>12</b>	<b>2,400,000</b>

	<b>Unlisted \$0.65 options exercisable on or before 28 September 2012</b>		<b>Unlisted \$0.80 options exercisable on or before 31 December 2010</b>	
	<b>Number of holders</b>	<b>Number of options</b>	<b>Number of holders</b>	<b>Number of options</b>
100,001 and over	12	1,100,000	1	500,000
<b>Total</b>	<b>12</b>	<b>1,100,000</b>	<b>1</b>	<b>500,000</b>

**METALLICA MINERALS LIMITED  
AND CONTROLLED ENTITIES  
ACN 076 696 092**

**SHAREHOLDER INFORMATION**

**Twenty largest Shareholders**

The names of the twenty largest shareholders, in each class of security (the Company has only one class of listed securities, being Ordinary Shares) are:

<b>Rank</b>	<b>Investor</b>	<b>Current Balance</b>	<b>% Issued Capital</b>
1.	Jien Mining Pty Ltd	22,854,462	19.48
2.	Golden Breed Pty Ltd	8,770,000	7.47
3.	Resource Capital Fund III LP	6,496,804	5.54
4.	Bondline Limited	4,910,966	4.19
5.	Straits Mineral Investments Pty. Ltd	3,333,333	2.85
6.	Codan Trustees <The Mount Cotton Account>	2,500,000	2.13
7.	Asden Investments Pty Ltd		
8.	Colwell Kennedy Australia Pty Ltd	2,000,000	1.70
9.	China Xinfia Group Corporation	1,964,386	1.67
10.	Latsod Pty Ltd <Dostal Superfund A/C>	1,850,000	1.58
11.	Robert John Gillies	1,342,429	1.14
12.	Miss Judith Emily Ruwolt	1,231,911	1.05
13.	K E Bryan No 2 Pty Ltd <K E Bryal No 2 A/C>	1,200,000	1.02
14.	Mr George Chien Hsun Lu and Mrs Jenny Chin Pao Lu	1,185,000	1.01
15.	Minnelex Pty Ltd	1,147,648	0.98
16.	Select Resources Pty Ltd	1,037,470	0.88
17.	Merill Lynch (Australia) Nominees Pty. Ltd	1,007,726	0.86
18.	Tregantle Pty Ltd <Tregantle A/C>	950,000	0.81
19.	Mr Paul Dostal	850,000	0.72
20.	Mr Shane Colin Mardon	845,320	0.72
<b>TOTAL</b>		<b>67,895,889</b>	<b>58.25</b>

**Substantial shareholders**

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	<b>Number of shares</b>
Jien Mining Pty Ltd	22,854,462
Golden Breed Pty Ltd	8,770,000
Resource Capital Fund III LP	6,496,804

**Voting rights**

Each ordinary share has one vote at any meeting of members.

**Restricted securities**

There are no restricted securities (held in escrow) that are on issue.