



ABN 43 119 759 349

INTERIM FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED  
31 DECEMBER 2009

## REPORT OF THE DIRECTORS

Your directors present their report, together with the financial statements of the company, for the half year ended 31 December 2009.

### DIRECTORS

The following persons held the office of director during the half year ended 31 December 2009.

John Fillmore	Non Executive Chairman
Keith Weston (resigned as a director 31 October 2009)	Managing Director and Chief Executive Officer
Shane Turner (resigned as a director 31 October 2009)	Non Executive Director and Company Secretary
William Howe (appointed 17 July 2009)	Non Executive Director
William Etheridge (appointed 17 July 2009 non-executive director, appointed 1 October 2009 executive director )	Director
Phillip Wing (appointed 17 July 2009)	Non Executive Director

### COMPANY SECRETARY

Mr Shane Turner resigned as company secretary on 31 October 2009. On 31 October 2009 Mr Philip Killen was appointed company secretary and was in office at the date of this report.

### OPERATING RESULTS

The loss of the company amounted to \$2,465,516 (2008 loss \$331,398) after providing for income tax.

### OPERATIONS REVIEW

Metminco Limited (Metminco) is a diversified mineral explorer now focussing on South America, through a 36.5% interest in Hampton Mining Limited (Hampton), an unlisted public company. Hampton has a significant portfolio of projects located in Chile and Peru, primarily focused on porphyry copper style deposits, but including exposure to gold, molybdenum and zinc. Metminco is the largest shareholder in Hampton.

Hampton's flagship project is the Los Calatos copper – molybdenum porphyry project in southern Peru, supported by a number of pre development, advanced exploration and grass roots projects in central Chile, approximately 500km north of Santiago.

## REPORT OF THE DIRECTORS (Cont'd)

### HAMPTON PROJECTS

#### Los Calatos Project

The Los Calatos Project is a copper–molybdenum porphyry style mineral complex located in an established mining region in southern Peru, close to existing infrastructure, with access to labour and mining support services. The current JORC compliant resource (Indicated plus Inferred) of 262 million tonnes at 0.43% copper and 0.042% molybdenum at a 0.2% copper cut-off is based on 12, 639 metres of diamond core drilling, including 6,385 metres of drilling by Hampton in late 2008.

Los Calatos is located in an established copper porphyry belt that hosts three major producing mines, Toquepala, Cuajone and Cerro Verde. Another copper-molybdenum deposit, Quellaveco, is currently being evaluated for development.

North Hill Holdings Group Inc (North Hill) wholly owned by Highland Resources Holdings Inc (HHR) is the beneficial holder of exploration rights to tenements Alfa, Gamma and Nelson at Los Calatos (North Hill Los Calatos Tenements). These tenements, totalling 28 sq kms, contain the current drill delineated JORC mineral resources.

Hampton has an option to purchase the North Hill Los Calatos Tenements from North Hill (refer Note 7 d) ii below)

In addition Hampton holds 100% of the tenements totalling 149 sq kms that surround the North Hill Los Calatos Tenements .

#### *Drilling and sampling*

Detailed, and ongoing, surface mapping and geochemical sampling over the whole tenement area has revealed additional zones of alteration, with strong indications of brecciation and associated copper mineralisation. The total zone of anomalous geochemistry now covers an area of at least approximately 8km by 3km, with the current drilled resources covering a strike length of only approximately 600 metres.

Approval was granted in September 2009 by the Peruvian Government for a substantial additional diamond drilling program. The drilling will consist of a combined program of 20,000 metres in 26 diamond holes, in two phases of 10,000 metres each.

Drilling commenced in early November 2009 employing two diamond drill rigs. By early 2010 six holes had been completed (holes CD 14, 15, 16, 17B, 18 and 19 totalling approximately 7,300 metres), and holes CD 20 and 21 were in progress.

Diamond drill holes CD 14, 15 and 16 encountered significant copper and molybdenum mineralisation, broadly consistent with the geological model. Assay results for 17B, 18 and 19 are awaited.

Significant intersections from CD 14, 15 and 16 are as follows;

CD 14: between 665m to 1,200m. 427m @ 0.38% Cu and 266ppm Mo  
(cumulative intercept, including 1,170m to 1,200m, 30m @ 0.66% Cu and 420ppm Mo).

CD 15: from 796m to 1,200m. 404m @ 0.32% Cu and 260ppm Mo  
(including 1,107m to 1,200m, 93m @ 0.69% Cu and 710ppm Mo).

CD 16: between 366m and 713m. 293m @ 0.50% Cu and 951ppm Mo  
(cumulative intercept, including 422m to 621m, 199m @ 0.59% Cu and 1280ppm Mo)

#### *Metallurgical testwork*

Concurrent with the drilling, a program of initial metallurgical testwork has been undertaken on Los Calatos copper-molybdenum mineralisation samples extracted from diamond drill core from earlier drilling programs. Eleven composite samples were tested. Averaged results for the tests include:

- Concentrate grades: Cu 24.0% and Mo 2.5 %
- Metal recoveries into concentrates: Cu 87.5% and Mo 79.1%

The concentrate grades for copper are lower than expected in a commercial operation, owing to the presence of pyrite. However, it is believed the grade can be readily increased by modifications to the flotation conditions.

## REPORT OF THE DIRECTORS (Cont'd)

By comparison, historically the average concentrate grade for the nearby Cuajone mine has been around 26% Cu, and for the Toquepala mine just over 27% Cu. Historic copper recoveries at these mines have generally been in the 85-90 % range. The molybdenum recoveries achieved are high compared to the rest of the industry.

### **Mollacas Project**

#### ***Background***

The Mollacas Project is located approximately 80km southeast of the town of La Serena, or approximately 450km north of Santiago. Hampton holds a 50% interest in the project, with the balance beneficially held by Chilean corporation MN Ingenieros Limitada. Tenements cover 32.55 sq kms.

Initial drilling of 10 reverse circulation and 46 diamond core drill holes generated JORC compliant Indicated Resources of 7.2 million tonnes at 0.56% copper and Inferred Resources of 9.8 million tonnes @ 0.52% copper, for total copper resources of 17.0 million tonnes, at 0.54% Cu at a 0.2% Cu cut-off for 92,000 tonnes of copper metal in-situ.

A Scoping Study undertaken by SRK Consulting in 2008 estimated that current resources at Mollacas could be mined over a 7 year mine life producing approx 13,500 tonnes pa cathode at a unit operating cost of approximately US\$0.91 per lb. At copper prices of US\$2.50/lb and a discount rate of 8% pa the Net Present Value of the project is US\$103 million (or UA\$93 million at 10% pa) with an Internal Rate of Return of 70%.

#### ***Infill drilling and leach testing***

In November 2008, Hampton completed a 3,970 metre infill drilling program to upgrade the resource classification from Inferred to Measured and Indicated, and to provide material for further detailed leach testing.

Initial leach test work on representative samples from Mollacas drill core commissioned produced good leach results and copper recovery. Hampton is currently proceeding with further and more detailed metallurgical leach test work on oxide and supergene ores for the Mollacas deposit, to provide information for leaching and solvent extraction/electrowinning design as part of a final feasibility study. The additional work will refine copper recoveries and provide more accurate estimates of operating and capital costs.

Hampton is currently completing sample preparation ahead of detailed column leach testwork planned for completion during 2010.

### **Vallecillo Project**

#### ***Drilling and resources***

The Vallecillo gold-zinc project, covering a tenement area of 54.5 km<sup>2</sup>, is located approximately 70km southeast of La Serena and some 25km north of the Mollacas deposit. Vallecillo is a porphyry related mineralised breccia system, comprising 4 discrete hydrothermal alteration zones, known as Chiflon, Potrero Colorado, Las Pircas and La Colorada respectively, of which the most advanced is La Colorada,

As with Mollacas, Hampton holds a 50% interest in the project, with the balance beneficially held by MN Ingenieros Limitada.

Hampton drilled 12 reverse circulation holes on the La Colorada deposit during 2006, totalling 2,170 metres. This generated an initial JORC-compliant Inferred Resources of 8.5 million tonnes @ 1.42% zinc, 0.76 g/t gold, 8.1 g/t silver and 0.25% lead.

Following a second round of drilling in 2008 of 17 diamond core holes totalling 5,782 metres, a revised Resource Estimation for the La Colorada Au-Zn-Ag-Pb deposit at Vallecillo was completed by SRK Consulting. Contained metal has increased by approximately 40% on the previous estimate (2006).

At a cut-off grade of 0.3g/t Au, total resources are estimated as 10.1 million tonnes and can be broken down into;

- Indicated Resources: 7.9 million tonnes @ 1.14g/t Au; 11.4g/t Ag; 1.32% Zn; 0.29% Pb
- Inferred Resources: 2.2 million tonnes @ 0.78g/t Au; 8.2g/t Ag; 0.58% Zn; 0.26% Pb

#### ***Sampling***

Hampton has commenced detailed mapping and surface sampling of the extensive licences held at Vallecillo with a view to generating further base metal and gold targets on the project.

## REPORT OF THE DIRECTORS (Cont'd)

### ***Metallurgical testwork***

During the December 2009 half year Hampton commissioned preliminary metallurgical test-work on the Vallecillo La Colorada ore to determine ultimate metal recoveries and whether saleable zinc and lead concentrates can be achieved as a precursor to a scoping study.

The testwork assessed gravity concentration and flotation methods, to assess optimal economic recovery of gold and zinc. Results showed excellent recovery of gold through gravity concentration and also that remaining gold reporting into a zinc concentrate is suitable for recovery by leaching.

These preliminary results from the Vallecillo testing are very encouraging, suggesting:

- Total recovery of gold will be approximately 90% into Dore bullion on site.
- Recovery of zinc will be approximately 90% into a zinc concentrate averaging at least 50% zinc.

It is encouraging that a commercial grade zinc concentrate is likely to be achieved from a modest zinc head grade.

### **Camaron Project**

#### ***Background***

The Camaron Project is located to the north of the Vallecillo Project, some 20km south of the town of Vicuna. Hampton has an extensive tenement holding of some 133.7 km<sup>2</sup>. Hampton holds most of these tenements in its own right and has an option to purchase (expiring 23 August 2010) 100% of the Genesis tenements (30 sq kms).

The project contains many surface gossans and large areas of hydrothermal alteration. No known previous exploration work has been undertaken on the property, apart from a few small prospecting pits. The regional Vicuna Fault transects the area, and this feature is a known controlling feature on mineralisation further to the south.

Broad spaced geochemical sampling along 400 metre spaced lines has returned anomalous copper, gold and molybdenum values over extensive areas. Visible copper oxide mineralisation has been observed on the traverses and in the prospecting pits.

The Camaron Project is prospective for hosting copper-gold-molybdenum mineralisation. The presence of large alteration zones and intrusives along a major regional fault trend, suggests good potential for porphyry style or related mineralisation. Future exploration includes RC drilling of a number of significant low-sulphidation Au anomalies identified by surface geochemical sampling.

#### ***RC drilling program***

RC drilling is planned over a number of significant low-sulphidation Au anomalies identified by initial geochemical sampling.

### **Isidro Project**

Isidro is a predominantly copper gold manto (blanket) style early exploration project, located 85km east of La Serena. Hampton owns 100% of the Isidro tenements (269 km<sup>2</sup>), plus a 50% interest in the San Lorenzo tenements (20.5sq km).

Like Camaron, the north trending Vicuna Fault bisects the project area. The Vicuna Fault is the major regional control on mineralisation. The area is characterised by small copper-gold-silver bearing hydrothermal hematitic breccias as well as larger manto style deposits.

Hampton has completed a wide spaced surface sampling program over manto style prospects, ahead of possible future exploration drilling. Future exploration will include prospect scale mapping, as well as broader reconnaissance mapping, assisted by satellite imagery and broad scale geochemical sampling.

## **AUSTRALIAN PROJECTS**

Metminco's investment in Hampton reflects a major strategic change of direction for the Company, based on the judgement that exploration and development of Hampton's South American projects is likely be more rewarding for shareholders than exploration of the Company's Australian projects, which Metminco regards as comparatively much less attractive.

Consequently the Australian projects will undergo progressive review and divestment / relinquishment. The Mulgul and Kings River projects have already been relinquished and the Angelo and Grants Creek projects are subject of a proposal for purchase by a 3<sup>rd</sup> party.

## REPORT OF THE DIRECTORS (Cont'd)

### CORPORATE

During the December 2009 half year Metminco announced two agreements that advance the Company's strategy of focussing on Hampton's South American projects:

- In September 2009 Metminco announced an option agreement to purchase Junior Investment Company's (JIC) interest in Hampton which if exercised would give Metminco a controlling interest in Hampton; and,
- In December 2009 Metminco has agreed to purchase the company holding the exploration rights to the core tenements at Los Calatos, (Alpa, Gamma and Nelson tenements which contain the current drilled resources).

#### Option to purchase JIC's shareholding in Hampton

Metminco announced 25 September 2009 it had executed an irrevocable option ("JIC Option") with JIC to purchase JIC's 31.9% interest in Hampton. Metminco has agreed to pay US\$0.18074 per share and 2 Metminco shares for every Hampton share held by JIC at time of completion. Hampton shareholders have a pre-emptive right in respect of any sale of Hampton shares

If none of the other Hampton shareholders exercise their pre-emptive rights, the maximum total consideration payable by Metminco on exercise of the JIC Option is US\$12 million in cash and 132,787,500 Shares (increasing Metminco's interest in Hampton to 68.4%). If all other Hampton shareholders exercise their pre-emptive rights, Metminco will pay US\$6.4 million in cash and issue 71,197,638 Shares to increase its stake in Hampton to 53.6%.

The JIC Option agreement is subject to Metminco shareholder approval, at a General Meeting to be held 12 March 2010.

Metminco paid JIC US\$700,000 for granting the JIC Option for a period of 4 months. Subsequent to 31 December 2009 Metminco has paid to JIC a total of US\$300,000 to extend the period to 6 months to 17 March 2010.

#### Purchase of North Hill

In December 2009 Metminco announced it had entered into an agreement with Highland Resources Holding Inc (HHR) to acquire North Hill, beneficial owner of the North Hill Los Calatos Tenements. The consideration for the acquisition is US\$0.5 million and issue of 150,000,000 million fully paid ordinary shares in Metminco on settlement; and a payment of US\$ 1.5 million on or before 1 August 2010 (Metminco-HHR Agreement).

The Metminco-HHR Agreement is subject to:

- Metminco acquiring a controlling interest in Hampton (through exercise of the JIC Option); and,
- Metminco shareholder approval for the issue of the Metminco Shares to HHR, at a General Meeting to be held 12 March 2010.

Hampton's option agreement with North Hill to acquire the North Hill Los Calatos Tenements remains in place and is not affected by the Metminco-HHR Agreement.

Hampton's right to acquire the North Hill Los Calatos Tenements, having satisfied other conditions including completion of a 9000 metre drilling program, is also subject to:

- payment of US\$0.5 million on or before 1 August 2010; and
- a resource based payment of US\$ 0.005 /lb equivalent copper (including copper, molybdenum or other economic metals) on or before 30 September 2010. The resource based payment is based on reserves in the ground, as calculated by an independent expert appointed by the parties, to undertake a scoping study to be funded by Hampton. If the scoping study is not completed prior to 30 September 2010 then an interim payment, based on resources in the ground, must be made prior to 30 September 2010, to be adjusted when the scoping study is completed.
- A bonus payment of US\$1.5 million on a decision to mine is payable.

## REPORT OF THE DIRECTORS (Cont'd)

### Convertible Note

On 7 December 2009 Metminco announced that it had signed a A\$14 million convertible note term sheet. The terms and documentation are being finalised with the underwriter.

### Issue of Shares

At the end of December 2009 Metminco had on issue 380,747,933 shares compared to 356,940,737 at end September 2009.

In the September 2009 Quarter the Company raised \$A2.41 million by issue of 16,606,666 shares at an issue price \$A0.15 to sophisticated and professional investors.

Shares issued during the December quarter were:

- 7,140,529 issued at A\$ 0.17 per share
- 16,666,667 issued at A\$ 0.15 per share

Gross funds raised of approximately A\$ 3,713,890 before fees, will be applied to general corporate activities.

In addition 1,000,000 December 2012 Options, each exercisable at A\$ 0.25 were issued. There are now 27,230,017 such Options on issue.

### Board Changes

Reflecting the Company's change in focus to the South American projects, there is to be a number of changes to the composition to the Board.

Mr Shane Turner resigned as Director and Company Secretary effective from 31 October 2009. Mr Philip W Killen was appointed Company Secretary and Chief Financial Officer effective 1 October 2009.

Also effective from 31 October 2009, Mr Keith Weston resigned as Managing Director of Metminco and later accepted a transfer to Hampton whereby, based in Lima, he will help oversee activity on the Los Calatos project.

### Auditor's Independence Declaration

The lead auditor's independence declaration under S307C of the Corporations Act 2001, is set out on page 7 for the half year ended 31 December 2009, and forms part of this report.

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



John Fillmore, Director

Dated: 25 February 2010

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**Auditor's Independence Declaration  
To the Directors of Metminco Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Metminco Limited for the six months ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

*Grant Thornton Audit Pty Ltd.*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



AG Rigele  
Director - Audit & Assurance Services

Sydney, 25 February 2010

## STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2009

	Note	31 December 2009 \$	31 December 2008 \$
<b>Revenue</b>			
Interest received		23,726	39,174
Total revenue		23,726	39,174
<b>Other Income</b>			
Gain on disposal of assets		1,190	-
Total other income		1,190	-
<b>Expenses</b>			
Administration expenses		(42,954)	(31,518)
Corporate expenses	2	(454,590)	(232,808)
Employee benefits expense	2	(441,725)	(93,071)
Depreciation and amortisation expense		(4,964)	(3,497)
Exploration expenditure written off	4	(1,009,376)	-
Share of net loss of associates	3	(520,627)	-
Occupancy expense		(16,196)	(6,378)
Loss on sale of assets		-	(3,300)
Total expenses		(2,490,432)	(370,572)
<b>Loss before income tax</b>		<b>(2,465,516)</b>	<b>(331,398)</b>
Income tax expense		-	-
<b>Loss for the year</b>		<b>(2,465,516)</b>	<b>(331,398)</b>
Other comprehensive income		-	-
<b>Total Comprehensive Income</b>		<b>(2,465,516)</b>	<b>(331,398)</b>
<b>Loss and total comprehensive income attributable to:</b>			
Members of the parent entity		<b>(2,465,516)</b>	<b>(331,398)</b>
Non controlling interests		-	-
		<b>(2,465,516)</b>	<b>(331,398)</b>
Earnings per share (cents per share)		(0.698)	(0.625)
Diluted earnings per share (cents per share)		(0.698)	(0.625)

The accompanying notes form part of these financial statements

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2009

	Note	31 December 2009 \$	30 June 2009 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,556,870	991,713
Other assets		959,929	21,280
<b>TOTAL CURRENT ASSETS</b>		<b>3,516,799</b>	<b>1,012,993</b>
<b>NON-CURRENT ASSETS</b>			
Investment accounted for using the equity method	3	38,959,169	-
Property, plant and equipment		2,031	19,333
Exploration expenditure	4	100,302	1,035,963
<b>TOTAL NON-CURRENT ASSETS</b>		<b>39,061,502</b>	<b>1,055,296</b>
<b>TOTAL ASSETS</b>		<b>42,578,301</b>	<b>2,068,289</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		206,283	107,827
Short-term provisions		6,633	4,024
<b>TOTAL CURRENT LIABILITIES</b>		<b>212,916</b>	<b>111,851</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>212,916</b>	<b>111,851</b>
<b>NET ASSETS</b>		<b>42,365,385</b>	<b>1,956,438</b>
<b>EQUITY</b>			
Issued capital	6	48,220,524	5,399,061
Reserves		302,628	249,628
Accumulated losses		(6,157,767)	(3,692,251)
<b>TOTAL EQUITY</b>		<b>42,365,385</b>	<b>1,956,438</b>

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY**

For the six months ended 31 December 2009

	Note	Issued Capital \$	Accumulated Losses \$	Option Reserve \$	Total \$
<b>Balance at 1 July 2008</b>		5,349,061	(2,447,117)	249,628	3,151,572
Total comprehensive income for the period		-	(331,398)	-	(331,398)
<b>Sub-total</b>		<b>5,349,061</b>	<b>(2,778,515)</b>	<b>249,628</b>	<b>2,820,174</b>
Dividends paid or provided for	5	-	-	-	-
<b>Balance at 31 December 2008</b>		<b>5,349,061</b>	<b>(2,778,515)</b>	<b>249,628</b>	<b>2,820,174</b>
<b>Balance at 1 July 2009</b>		<b>5,399,061</b>	<b>(3,692,251)</b>	<b>249,628</b>	<b>1,956,438</b>
Shares issued during the half year		43,198,785	-	-	43,198,785
Options issued during the half year		-	-	53,000	53,000
Transaction costs		(377,322)	-	-	(377,322)
Total comprehensive income for the period		-	(2,465,516)	-	(2,465,516)
<b>Sub-total</b>		<b>48,220,524</b>	<b>(6,157,767)</b>	<b>302,628</b>	<b>42,365,385</b>
Dividends paid or provided for		-	-	-	-
<b>Balance at 31 December 2009</b>		<b>48,220,524</b>	<b>(6,157,767)</b>	<b>302,628</b>	<b>42,365,385</b>

The accompanying notes form part of these financial statements

**STATEMENT OF CASH FLOWS**

For the six months ended 31 December 2009

	<b>31 December 2009</b>	<b>31 December 2008</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(911,159)	(386,680)
Interest received	23,726	39,901
<b>Net cash used in operating activities</b>	<b>(887,433)</b>	<b>(346,779)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,473)	(1,200)
Payments for purchase of shares	-	(46,264)
Proceeds from sale of shares	-	42,964
Payments for exploration expenditure	(73,715)	(590,519)
Purchase of option over shares in associate	(813,890)	-
<b>Net cash used in investing activities</b>	<b>(889,078)</b>	<b>(595,019)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	3,718,990	-
Cost of share issue	(377,322)	-
<b>Net cash provided by financing activities</b>	<b>3,341,668</b>	<b>-</b>
<b>Net increase/(decrease) in cash held</b>	<b>1,565,157</b>	<b>(941,798)</b>
Cash and cash equivalent at beginning of financial year	991,713	2,516,777
<b>Cash and cash equivalent at end of financial year</b>	<b>2,556,870</b>	<b>1,574,979</b>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2009

**NOTE 1: BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**Basis of preparation**

This general purpose financial report for the six months ended 31 December 2009 has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Metminco Limited and as such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

**Accounting Standards not Previously Applied**

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

**Presentation of Financial Statements**

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of the Income Statement with the Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the separate income statement single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard; and
- presentation of a third Statement of Financial Position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.
- we have determined only one comparative period for the Statement of Financial Position was required for the current application of the period as the application of the new standard has not impacted the historical financial position which was previously reported.

**Operating Segments.**

- From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.
- As a result of the adoption of the revised AASB 8, certain cash generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.

**Business Combination and Consolidation Procedures.**

Revised AASB3 is applicable prospectively from 1 July 2008. Changes introduced by this standard, or as a consequence of amendments which are expected to affect the Company in the future include the following:

- Business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2009

**NOTE 1: BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)**

- The Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.
- proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity. •Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

**Going concern basis of accounting**

This interim financial report has been prepared on a going concern basis. In the opinion of the Directors, Metminco Limited currently has sufficient funds to pay its debts as and when they fall due.

The Directors consider it is appropriate to prepare the financial report on a going concern basis and hence no adjustments have been made in relation to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the entity does not continue as a going concern.

However, Hampton Mining Limited (Hampton) in which Metminco holds a 36.5% interest will need to raise additional capital to undertake planned work programs in the second quarter of the 2010 year and to exercise its option to acquire the Los Calatos tenements the subject of the North Hill Agreement (refer Note 7 d ii). If Hampton does not exercise its option to acquire Los Calatos then Metminco may require a write down in the carrying value of its investment in Hampton.

<b>NOTE 2: LOSS FOR THE PERIOD</b>	<b>6 months ended 31 December 2009</b>	<b>6 months ended 31 December 2008</b>
	<b>\$</b>	<b>\$</b>
<b>Corporate Expenses:</b>		
Auditors remuneration	15,165	9,161
Consulting fees	190,455	48,000
Hampton investment related expenses	21,384	160,541
Other Legal fees	102,217	-
Other expenses	125,369	15,106
<b>Total Corporate Expenses</b>	<b>454,590</b>	<b>232,808</b>
<b>Employee Benefits:</b>		
Remuneration to officeholders	437,081	144,406
Less exploration expenses capitalized	(49,198)	(52,531)
Options issued to directors	53,000	-
Work cover insurance	842	1,196
<b>Total Employee Benefits</b>	<b>441,725</b>	<b>93,071</b>

**NOTE 3: INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD**

In July 2009 Metminco Limited acquired a 36.5% interest in Hampton Mining Limited (Hampton) by issue of 303,690,732 shares in the Company. Hampton is an unlisted Australian company with a significant portfolio of exploration projects located in Chile and Peru. The projects are focused mainly on copper but include significant exposure to gold. In terms of stage of development Hampton's project range from mine pre-feasibility, through advanced exploration to grassroots exploration.

Hampton's premier project is the Los Calatos copper-molybdenum porphyry deposit located in southern Peru, near and in a similar geological setting to three large existing copper-molybdenum porphyry mines. An initial resource of 262 million tonnes @ 0.43% Cu & 0.042% Mo (0.74% copper equivalent) at a 0.2% copper cut-off grade has already been announced. The mineralized porphyry system is currently open in several directions and at depth and a further substantial drilling program commenced late 2009.

Hampton's other advanced projects are the Mollacas copper leach project and the Vallecillo gold-zinc-silver-lead project, both located in north central Chile. The Mollacas Project comprises 92,000 tonnes of in-situ copper metal. SRK Consulting, Chile completed a Scoping Study in 2008 indicating a NPV for the project of US\$103 million, using a copper price of US\$2.50 per

pound. Metallurgical test work has commenced on ores from the Mollacas Project to provide information for a feasibility study as a precursor to mining. Similar to Mollacas, Vallecillo is a porphyry related mineralised system, with identified gold-zinc-silver-lead resources of over 10 million tonnes grading approximately 2.2g/t Au equivalent.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2009

**NOTE 3: INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (Cont'd)**

**Cost of equity investment in Hampton**

Consideration paid:	39,479,796
Share of net assets acquired	12,405,343
Goodwill	<u>27,074,453</u>
	<u>39,479,796</u>

<b>6 months ended</b>	<b>6 months ended</b>
<b>31 December 2009</b>	<b>31 December 2008</b>
\$	\$

**Movements during the period in equity accounted investment in associated entities:**

Balance as at the beginning of the financial period	–	–
Add new investment during the period	39,479,796	–
Share of associated entity's loss after tax	(520,627)	–
Balance as at the end of the period	<u>38,959,169</u>	–
<i>Equity accounted (losses) of associates are broken down as follows:</i>		
Share of associated entity's loss before income tax	(520,627)	–
Share of associated entity's income tax expense	–	–
Share of associated entity's loss after income tax	<u>(520,627)</u>	–
<i>Summarised presentation of aggregate assets, liabilities and performance of associates</i>		
Current assets	2,824,024	–
Non-current assets	9,826,408	–
Total assets	<u>12,650,432</u>	–
Current liabilities	245,088	–
Total liabilities	<u>245,088</u>	–
Net assets	<u>12,405,344</u>	–
Accumulated share of associated entity's loss after income tax	(520,627)	–
Share of foreign currency translation reserve movement for the period	<u>(898,449)</u>	–

**NOTE 4: EXPLORATION EXPENDITURE**

	<b>31 December 2009</b>	<b>30 June 2009</b>
	\$	\$
Opening Balance	1,035,963	785,737
Exploration expenditure capitalised during the period *1	73,715	457,383
Capitalised expenditure written off during the period	(1,009,376)	(207,157)
Closing balance	<u>100,302</u>	<u>1,035,963</u>

\*1The Company determined during the period to divest its Australian assets through farm-out, joint venture or outright sale of these projects and written the value these assets to their estimated sale value as per announcement dated 17 December 2009.

**Metminco Limited ABN 43 119 759 349**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2009**

**NOTE 5: DIVIDENDS**

The company resolved not to pay or declare any dividends in the period ended 31 December, 2009 (2008: \$ nil).

**NOTE 6: ISSUED CAPITAL**

	<b>31 December 2009</b>	<b>30 June 2009</b>
	<b>\$</b>	<b>\$</b>
380,777,933 (30 June 2009: 53,250,005) fully paid ordinary shares	48,220,524	5,399,061
<hr/>		
<b>Movements in Ordinary Shares</b>		
Opening Balance	5,399,061	5,349,061
Shares issued during year		
-5 March 2009                      Tenement Allotment	-	50,000
-8 July 2009                      Acquisition of Hampton investment	39,479,795	-
-1 October 2009                  Placement	1,907,000	-
-5 October 2009                  Placement	593,000	-
-11 December 2009              Placement	1,213,890	-
-31 December 2009              Placement	5,100	-
Cost of capital raising	(377,322)	-
<b>Closing Balance</b>	<b>48,220,524</b>	<b>5,399,061</b>
<hr/>		
<b>Ordinary Shares</b>	<b>Number</b>	<b>Number</b>
At the beginning of reporting period	53,250,005	53,000,005
Shares issued during year		
-5 March 2009                      Tenement Allotment	-	250,000
-8 July 2009                      Acquisition of Hampton investment	303,690,732	-
-1 October 2009                  Placement	12,713,333	-
-5 October 2009                  Placement	3,953,334	-
-11 December 2009              Placement	7,140,529	-
-31 December 2009              Placement	30,000	-
<b>At reporting date</b>	<b>380,777,933</b>	<b>53,250,005</b>
<hr/>		

Holders of ordinary shares are entitled to participate in dividends when declared and are entitled to one vote per share, either in person or by proxy, at shareholder meetings. In the event of winding up the company, ordinary shareholders are ranked after all other creditors and are entitled to any proceeds of liquidation in proportion to the number of an amount paid on the shares held.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2009

**NOTE 7: COMMITMENTS AND CONTINGENCIES****a) Tenement expenditure commitments**

The Company has a portfolio of tenements located in Western Australia, South Australia and Northern Territory. These have a requirement for a certain level of expenditure each year.

At 31 December 2009 the Company had entered negotiations in respect of the sale of these tenements and as such the cost of maintaining these tenements in good standing until the sale is completed is estimated to be no more than \$10,000 (as at 30 June, 2009 annual expenditure commitments in respect of exploration assets amounted to \$351,100). These commitments are subject to the provision of legislation governing the granting of mineral exploration licences. Commitments may vary in accordance with the provisions of governing regulations.

	31 December 2009	30 June 2009
	\$	\$
Not later than 1 year	10,000	351,100
Later than 1 year, but not later than 5 years	-	1,404,400
	<u>10,000</u>	<u>1,755,500</u>

**Capital expenditure commitments**

At 31 December, 2009 the company had no capital commitments (2008: \$0)

**Contingencies**

1 As at 31 December, 2009 the company had potential contingent liabilities of amounting to \$10,000 in respect of guarantees provided (30 June 2009: \$10,000).

**b) Option Agreement with Junior Investment Company (JIC Option)**

The Company announced on 25 September 2009, an option agreement with Junior Investment Company (holder of a 31.9% interest in Hampton). If the option is exercised, Metminco would increase its interest in Hampton from 36.5% to a minimum of 53.6% and up to a maximum of 68.4%, depending on the extent to which other Hampton shareholders exercise their pre-emptive rights. Metminco paid JIC US\$700,000 for granting the Option for a period of 4 months, extendable at Metminco's election for a further month (5 months in total) on payment of US\$100,000 and an additional one month (6 months in total) on payment of a further US\$200,000. Metminco has agreed to pay US\$0.18074 per share and 2 Metminco shares for every Hampton share (63,393,750) held by Junior Investment Company. The total consideration is up to US\$12 million in cash and up to 132.8 million Metminco shares.

**c) Sale and Purchase Agreement**

In December 2009 the Company announced it had entered into an agreement with Highland Resources Holding Inc (HHR) to acquire North Hill Holding Inc (North Hill) indirect beneficial owner of Alpa 1-900, Gamma 1-1000 and Nelson 1-900 tenements located in southern Peru (North Hill Los Calatos Tenements). The consideration for the acquisition is US\$0.5 million and issue of 150,000,000 million fully paid ordinary shares in Metminco on settlement; and a payment of US\$ 1.5 million on or before 1 August 2010 (Metminco-HHR Agreement<sup>1</sup>). The agreement is subject to:

- Metminco acquiring a controlling interest in Hampton (via exercising the JIC Option, refer 16 b) above); and,
- Metminco shareholder approval for the issue of the Metminco Shares to HHR.

Hampton Mining Limited (Hampton) has an option agreement North Hill to acquire the North Hill Los Calatos Tenements, as summarised below, which remains in place and is not affected by the Metminco-HHR Agreement.

If Hampton exercises its option with North Hill, title to the North Hill Los Calatos Tenements would pass to Hampton in which North Hill would then receive:

- An option payment of US\$0.5 million on 1 August 2010.
- US\$ 0.05 /lb equivalent copper in reserves based on a scoping study; and,
- A bonus payment of US\$1.5 million upon decision to mine.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2009

**NOTE 7: COMMITMENTS AND CONTINGENCIES (Cont'd)**

**d) Commitments and contingencies of Hampton (36.5% owned by Metminco)**

Commitments and contingencies of the Hampton Group (consisting of Hampton Mining Limited, and wholly owned subsidiaries Minera Hampton Chile Limited and Hampton Peru SAC) follow:

- i) The holder of the surface titles in respect of the Mollacas Project, Agrícola Bauzá Ltda has filed various actions against Minera Hampton Chile Limitada, MN Ingenieros (an unrelated entity) and Sociedad Contractual Minera Ovalle (jointly owned and controlled by Minera Hampton Chile Limitada and MN Ingenieros) in respect of claims relating to access and environmental accusations. All claims determined by the Chilean judiciary to date have been successfully defended.
- ii) During July 2007 Hampton entered into an option to purchase a 100% interest in exploration properties known as Los Calatos located in Peru by paying North Hill A\$285,000 (US\$250,000). The Hampton Group has met all its commitments under the option agreement as at the date of this report to date. To earn the right to acquire the 100% interest Hampton must pay a further annual instalment of US\$500,000 on or before 1 August 2010 and meet license fee obligations. To exercise the option Hampton must pay North Hill Holding Inc US\$ 0.005 per lb copper equivalent in proven and probable reserves as defined by a scoping study. If the scoping study is not completed prior to 30 September 2010 then an interim payment, based on resources in the ground, must be made prior to 30 September 2010, to be adjusted when the scoping study is completed. A bonus payment of \$A1,850,000 (US\$1,500,000) is payable on a decision to mine and a royalty of 2% Net Smelter Return ('NSR') is payable on production.
- iii) On 23 August 2007 Minera Hampton Chile Limitada entered into an option to purchase 100% of the Genesis Property located in the Vicuna area of Chile. To exercise its right to acquire the Genesis Property, Minera Hampton Chile Limitada must pay monthly instalments of A\$12,000 (US\$10,000) for a further 14 months (28months to 31 December 2009 already paid) and complete an independent scoping study which will determine the resources and reserves on the Genesis Property. An additional US\$0.005 (half a cent of dollar) per pound copper equivalent is payable on resources identified by the scoping study, or a bankable feasibility study if such a study is completed prior to acquisition. Minera Hampton Chile Limitada has met its commitments under the option agreement as at the date of this report.

**NOTE 8: SEGMENT REPORTING**

The Company's activities relate to the exploration for mineral deposits in Australia only. It is noted that Metminco holds an investment in Hampton Mining Limited. This investment is not controlled and is therefore deemed under AASB 8: Segment Reporting not to constitute a reportable segment. The results of this investment are equity accounted in accordance with AASB 128: Investment in Associates. Refer note 3 for the Company's share of its loss for the period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

**NOTE 9: EVENTS AFTER THE BALANCE SHEET DATE**

- a) In January and February 2010, Metminco paid to JIC US\$300,000 to extend the JIC Option expiry from 17 December 2009 to 17 March 2010 (Refer note 16 b) above).
- b) In January 2010 the Company raised \$28,900 through placement of 170,000 to private and sophisticated investors.
- c) On 22 January 2010 Hampton Mining Limited announced a pro rate Rights issue Offer to raise \$1.4 million. In February 2010, Metminco exercised its entitlement in full paid at a cost of \$511,043.
- d) On 9 February 2010, Takoradi Limited released an announcement to the ASX which amongst other matters inferred that certain actions by Metminco was to the detriment of Takoradi Limited. Metminco strongly rejects any such inference or allegation.
- e) In February 2010, Metminco announced a shareholder meeting on 12 March 2010 for shareholder to consider approval for the following:
  - i) Ratification of the prior issue and allotment of 7,400,529 fully paid ordinary shares in the Company (Shares).
  - ii) Approval to issue and allot a minimum of 66,666,667 Shares and a maximum of 120,000,000 Shares at an issue price of not less than A\$0.15 to raise a minimum of A\$10 million and a maximum of A\$18 million.
  - iii) Approval to issue and allot up to 132,787,500 Shares to JIC on exercise of the JIC Option.
  - iv) Approval to issue and allot 150,000,000 Shares to Highland Holding Resources Inc as consideration for the purchase of North Hill Holdings Group Inc (beneficial owner of the Alfa, Gamma and Nelson tenements located at Los Calatos in southern Peru).

## DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes set out on pages 8 to 18 are in accordance with the Corporations Act 2001 including:
  - a) complying with AASB 134: Interim Financial Reporting and the Corporations Act 2001; and,
  - b) giving a true and fair view of the financial position as at 31 December 2009 and of its performance for the half-year ended on that date.
2. In the opinion of directors 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.



John Fillmore

Dated this 25 day of February 2010

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## **Independent Auditor's Report To the Members of Metminco Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Metminco Limited (the "Company"), which comprises the statement of financial position as at 31 December 2009, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial statements and the directors' declaration

### **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), in particular AASB134 Interim Financial Reporting, 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.

### **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 which require us to 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 control 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 control. 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 complied with applicable independence requirements of the Corporations Act 2001.

### **Auditor's opinion**

In our opinion the financial report of Metminco Limited is in accordance with the Corporations Act 2001, including:

- i giving a true and fair view of the Company's financial position as at 31 December 2009 and of its performance for the half year ended on that date; and
- ii complying with AASB 134 Interim Financial Reporting and the Corporations Regulations 2001

### **Significant uncertainty regarding carrying value of the investment accounted for using the equity method**

Without qualification to the conclusion expressed above, we draw attention to Note 1 in the financial report which indicates the existence of a material uncertainty which may cast significant doubt about the ability of the associate to raise sufficient funds to undertake planned work programs and exercise an option to acquire the Los Calatos tenements, the subject of the North Hill agreement, and therefore, the carrying value of this project. If the associate cannot raise sufficient funding then the associate may need to write down the value of this asset and in turn the company may need to impair its investment in the associate by up to \$38.9 million.

*Grant Thornton Audit Pty Ltd.*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



AG Rigele  
Director - Audit & Assurance Services

Sydney, 25 February 2010