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**27 January 2011**

## **ASX ANNOUNCEMENT**

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### **QUARTERLY ACTIVITIES REPORT & APPENDIX 5B, 3 MONTHS TO DECEMBER 2010.**

#### **Highlights**

- **Metminco completes the acquisition of Hampton Mining Limited to gain 100% of Los Calatos copper/molybdenum project in Peru**
- **A 50,000 metre diamond drilling starts at Los Calatos**
- **\$A30 million capital raising to fund accelerated exploration completed**
- **Early repayment of \$US3.5 million convertible notes completed**

#### **Operations**

##### **Los Calatos project, Peru**

Metminco started a 50,000 metre diamond drilling program at its Los Calatos copper-molybdenum project in southern Peru on 14 December, 2010. (Figures 1 & 2)

The new drilling program is designed primarily to extend the Los Calatos resource which currently stands at approximately 4.7 million tonnes of copper equivalent (CuEq) metal\*, or over 10 billion lbs of CuEq.

The Los Calatos project has JORC compliant resources of 926 million tonnes, consisting of 111 million tonnes at 0.39% Cu and 380ppm Mo of Indicated Resources and Inferred Resources of 815 million tonnes at 0.37% Cu and 260ppm Mo (at a 0.2% copper cut-off grade).

The drilling program will also test a number of new targets identified by surface geochemical sampling.

By the end of the quarter a total of 592 metres had been completed in two (2) drill holes. The drilling will test the upper part of the Los Calatos mineralisation and the northern contact of the mineralised envelope outlined in previous drilling.

Drill hole CD24 advanced to 191 metres by the end of the quarter with copper/molybdenum mineralisation encountered from 19 metres. The hole remained in mineralisation to 191 metres. The drill hole is planned to proceed to a depth of 900 metres.

CD 25, had reached 401m by the end of the quarter. Copper mineralisation was visible from 62m and high-grade molybdenum at 300m. This drill hole has a planned depth of 750 metres. (Figure 3 & 4).

(\* CuEq, in-situ, assuming ratio of Mo/Cu prices of 5)

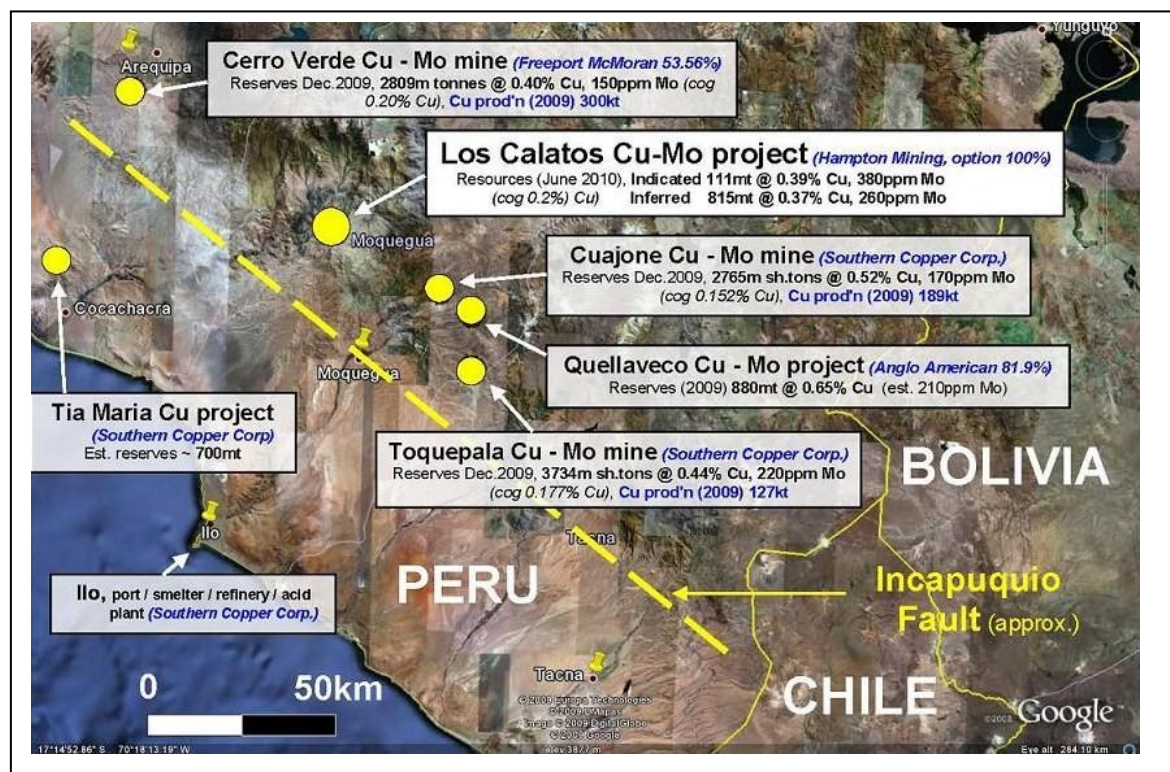


Figure 1 : Location of the Los Calatos project in southern Peru.





Figure 2 : Los Calatos project area, Peru



Figure 3 : High grade copper (gold colour) and molybdenum (metallic colour) breccia in core, Los Calatos, Peru

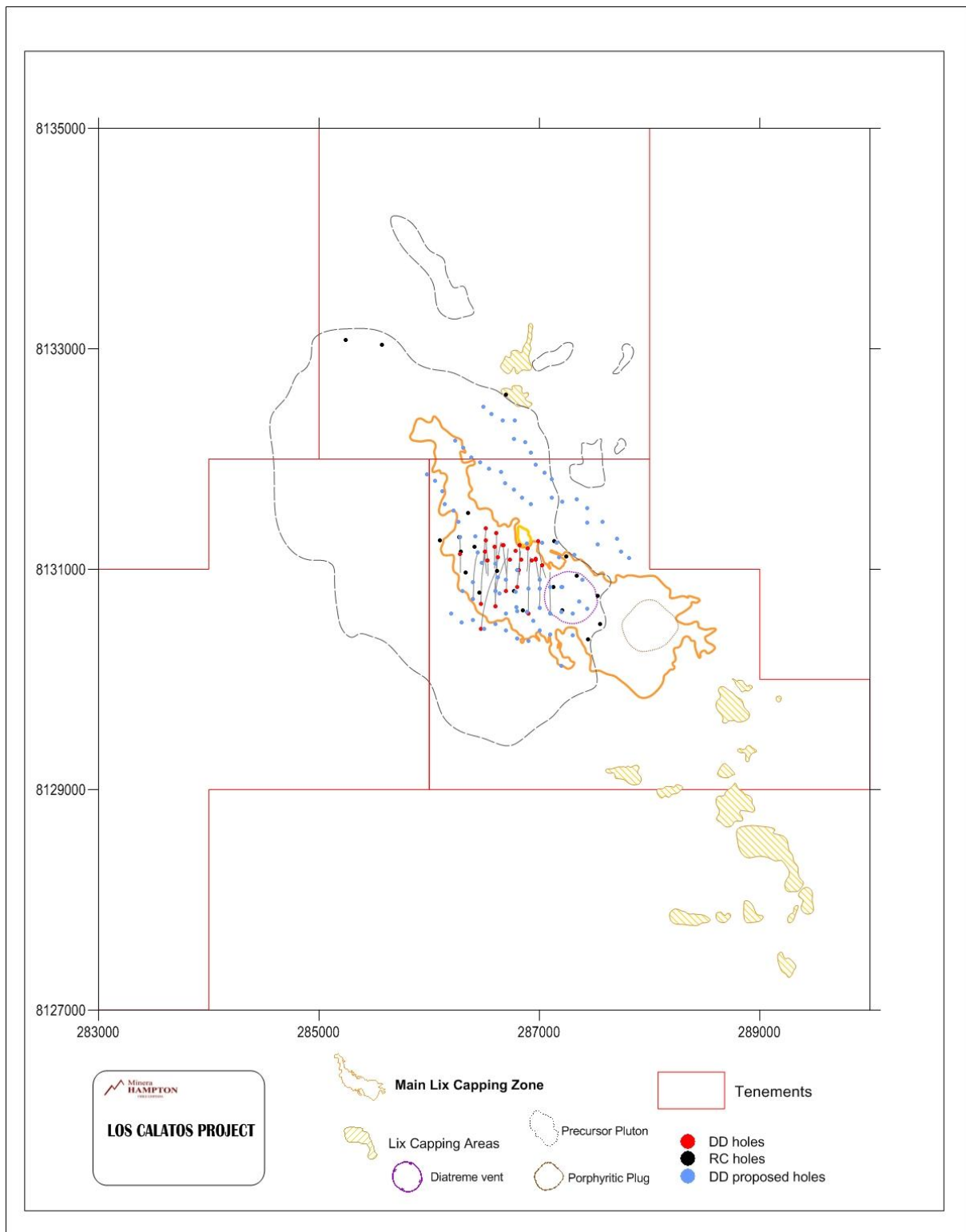


Figure 4 : Los Calatos licence map with existing and planned drill holes. Note precursor pluton defines outer limit of mineralised intrusives.



## **Vallecillo, Chile**

Metminco's 50% owned Vallecillo gold project is located in central Chile (Region iv), approximately 150km from the port of Coquimbo at an altitude of approximately 2,100 metres. Previous small scale mining on high-grade gold/zinc veins (figure 5) is associated with high-grade breccia systems that host the gold/zinc mineralisation identified by Metminco (figure 6).

Detailed mapping and grid geochemical sampling continued at Vallecillo where several zones of anomalous copper, gold, and zinc worthy of drilling have been defined. These zones are extensions of and peripheral to the JORC defined gold and zinc breccia, previously reported.

Metminco has increased its licence area in the Vallecillo area following up on regional geological studies (Figure 7).



Figure 5 : Surface dumps from small scale mining on high grade gold zinc veins, Vallecillo project, Chile.





Figure 6 : Zinc (sphalerite – brown colour) in the Vallecillo breccia.



Figure 7 : Vallecillo licences on google earth map showing strong alteration systems within licence areas. New licences to the north, east and west of Antrea 1 – 19 original licence holdings.

## **Loica, Isidro and Camaron projects, Chile**

No work was undertaken on these projects during the quarter.

### **New Project areas**

The identification of new areas in the north of Chile has commenced with applications placed for Caldera (42 sq km) and Belen (93 sq km) in the Arica area, and Jaspe (14 sq km) in the Antofagasta area.

These licence applications all target strongly altered systems in favourable geological environments and within the well documented porphyry belts of northern Chile which host some of the world's largest copper mines.

The Caldera project, one of three areas under application, is targeting a strongly altered sequence of porphyry rocks within the caldera of an extinct volcano (figure 8).



Figure 8 : Licences covering strong alteration system within a well defined caldera, northern Chile. (Caldera licence application).

## **CORPORATE**

### **\$30 million Capital Raising**

Metminco completed a A\$30million capital raising by issuing 150 million Metminco fully paid ordinary shares on 30 November, 2010. The placement, which was approved by shareholders at the Annual General Meeting on 24 November, 2010, was primarily to institutional investors, significantly broadening Metminco's shareholder base and introducing a number of strong "cornerstone" institutional investors to the company.

The capital will be used to fund ongoing exploration of Hampton's South American assets and specifically to fund a 50,000 metre drill program at Los Calatos which commenced mid December 2010. Funds raised in the placement will also be used to advance the Mollacas and Vallecillo projects and for working capital.

Lead manager for the capital raising was BGF Equities.

### **Acquisition of 100% of Hampton Mining Limited**

On the 3 December Metminco completed the purchase of 60,970,425 fully paid ordinary Hampton shares (27.3% of Hampton) resulting in Hampton becoming a wholly owned subsidiary of Metminco.

Effective 3 December 2010, Mr Rodney Hudspeth and Mr Terry Wilsteed, appointees to the Board of Hampton in accordance with a share subscription agreement between Hampton and Takoradi dated April 2006, resigned from the Hampton Board. Mr Hudspeth's application to the Federal Court to seek leave as a director of Hampton in accordance with S237 of the Corporations Act to pursue legal action on behalf of Hampton has been subsequently dismissed by the Federal Court.

### **Managing Director Appointed**

On 8 December William Howe was appointed as managing director of Metminco. Mr Howe is based in Santiago, Chile, overseeing Metminco's operations in South America from Metminco's operation head quarters in Santiago, Chile. Mr Howe, Hampton's founder, has driven the development of Metminco's portfolio of copper and gold projects in Chile and Peru.

### **Investec Bank plc appointed as Broker and Nomad to the AIM market**

On 8 December 2010, the Company appointed Investec Bank plc as its Nominated Advisor and Broker to the AIM market. Metminco will maintain its strong association with Daniel Stewart (Nomad to the AIM secondary listing) who will continue to act as joint broker to the Company in the AIM market.

### **Early repayment of \$US3.5 million convertible notes**

On 24 December 2010, Metminco completed early repayment of convertible notes totalling \$US 3.5 million by issue of 30,114,160 Metminco shares in satisfaction of principal and



accrued interest to date of repayment. The company also paid \$US 560,000 in early repayment fees. As previously announced on 1 April 2010, these notes were entered into by Metminco as part of the \$A20 million capital raising and admission to the AIM Market of the London Stock Exchange. The majority of funds from this capital raising were applied to acquire Junior Investment Company 's 31% stake in Hampton and with it a controlling interest in Hampton.

### **Issue of Options to Directors and Employees**

Following shareholder approval at the Annual General Meeting on 24 November 2010, the following options were issued to directors:

John Fillmore:

- 3,000,000 options exercisable at A\$0.44 per share no later than 6 December 2013 in accordance with the rules of the Company's Employee Option Plan.
- 3,000,000 options exercisable at A\$0.525 per share no later than 6 December 2013 in accordance with the rules of the Company's Employee Option Plan.

Timothy Read:

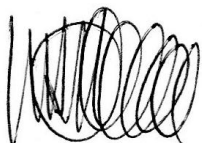
- 3,000,000 options exercisable at A\$0.44 per share no later than 6 December 2013 in accordance with the rules of the Company's Employee Option Plan.
- 3,000,000 options exercisable at A\$0.525 per share no later than 6 December 2013 in accordance with the rules of the Company's Employee Option Plan.

Following shareholder approval at the Annual General Meeting the Company issued the following options under the Employee Share Option Plan:

- 8,250,000 options exercisable at A\$0.44 per share no later than 6 December 2013 in accordance with the rules of the Company's Employee Option Plan.
- 8,250,000 options exercisable at A\$0.525 per share no later than 6 December 2013 in accordance with the rules of the Company's Employee Option Plan.

### **Change of Financial Year:**

Pursuant to subsections 323D(3) of the Corporation Act 2001 (Cth), Metminco is required to ensure the financial years of its consolidated entities are synchronised with its own financial year. Metminco announced that effective 31 December 2010, the Company will change its financial year from 30 June to 31 December in order to synchronise with the Hampton group of companies.



**William Howe**  
**Managing Director**

**About Metminco:**

Metminco is a dual ASX and AIM listed company with a portfolio of copper and gold projects in Peru and Chile. The Los Calatos project located in southern Peru has JORC compliant resources of 926 million tonnes, consisting of Indicated Resources of 111 million tonnes at 0.39% Cu and 380ppm Mo and Inferred Resources of 815 million tonnes at 0.37% Cu and 260ppm Mo (at a 0.2% copper cut-off grade).

The Chilean assets include a 50% interest in the Mollacas copper leach project with JORC compliant resources of 17 million tonnes consisting of Indicated Resources of 7.2 million tonnes at 0.56% copper and Inferred Resources of 9.8 million tonnes @ 0.52% copper (at a 0.2% copper cut-off grade); and a 50% interest in the Vallecillo gold zinc project with JORC compliant resources of 10.1 million tonnes consisting of Indicated Resources of 7.9 million tonnes @ 1.14g/tAu; 11.4g/tAg; 1.32% Zn; 0.29% Pb and Inferred Resources of 2.2 million tonnes @ 0.78g/t Au; 8.2g/t Ag; 0.58% Zn; 0.26% Pb (at a cut-off grade of 0.3g/t Au).

For further information please contact :

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# Appendix 5B

## Mining exploration entity quarterly report

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

Name of entity

Metminco Limited

ABN

43 199 759 349

Quarter ended ("current quarter")

31 December 2010

### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation		
	(b) development	(1,809)	(3,097)
	(c) production		
	(d) administration	(1,387)	(3,585)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	46	65
1.5	Interest and other costs of finance paid	(558)	(558)
1.6	Income taxes paid		
1.7	Other (provide details if material)	(196)	(376)
		<b>(3,904)</b>	<b>(7,551)</b>
<b>Net Operating Cash Flows</b>			
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a)prospects		
	(b)equity investments	(3,175)	(5,011)
	(c) other fixed assets	(7)	(8)
1.9	Proceeds from sale of: (a)prospects		
	(b)equity investments		
	(c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
		<b>(3,182)</b>	<b>(5,019)</b>
<b>Net investing cash flows</b>			
1.13	Total operating and investing cash flows (carried forward)	(7,086)	(12,570)

+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(7,086)	(12,570)
1.14	<b>Cash flows related to financing activities</b> Proceeds from issues of shares, options, etc.	30,003 (1,530)	35,003 (1,865)
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (proceeds from equity swap)	717	1,055
	<b>Net financing cash flows</b>	<b>29,190</b>	<b>34,193</b>
	<b>Net increase (decrease) in cash held</b>	22,104	21,623
1.20	Cash at beginning of quarter/year to date	1,817	2,159
1.21	Exchange rate adjustments to item 1.20	(745)	(606)
1.22	<b>Cash at end of quarter</b>	<b>23,176</b>	<b>23,176</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	324
1.24 Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Cash payments below are for the period 01July10 – 31 December10 for directors' fees and services:  
J Fillmore: \$25,000 director fees + \$ 16,514 legal fees = \$ 41,514  
W Howe: \$112,500  
W Etheridge: \$75,416  
T Read: \$18,750  
V Vergara: \$18,750  
P Wing: \$56,750

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Fully paid ordinary shares issues as follows:

- 30,114,160 shares to convertible note holders in respect of interest and repayment of US\$3.5 million in principal
- 212,834,076 shares to increase interest in Hampton Mining Limited (Hampton) from 72.7% to 100%.
- 1,350,000 shares in lieu of cash payment for consulting services

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

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### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities (Convertible Notes US\$0.5 million)	492	492
3.2 Credit standby arrangements		

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	5,500
4.2 Development	
4.3 Production	
4.4 Administration	1,500
<b>Total</b>	

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	23,176	1,817
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	23,176	1,817

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference <sup>+</sup>securities</b> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b><sup>+</sup>Ordinary securities</b>	1,230,943,815	1,230,943,815		
7.4 Changes during quarter (a) Increases through issues 1,374,430 150,000,000 160,000,000 35,000,000 11,434,076  6,400,000  1,350,000  100 12,500  30,114,160  (b) Decreases through returns of capital, buy-backs	1,374,430 150,000,000 160,000,000 35,000,000 11,434,076  6,400,000  1,350,000  100 12,500  30,114,160	1,374,430 150,000,000 160,000,000 35,000,000 11,434,076  6,400,000  1,350,000  100 12,500  30,14,160	A\$ 0.12 A\$ 0.20 As consideration for 56,511,906 Hampton shares As consideration for 2,858,519 Hampton shares As consideration for 1,600,000 Hampton shares Issued in lieu cash payment for consulting fees \$A 0.35 \$A0.25 on exercise of 2012 options \$A0.12	Fully paid Fully paid  Fully paid Fully paid  Fully paid  Fully paid Fully paid Fully paid Fully paid
7.5 <b><sup>+</sup>Convertible debt securities</b> (description)	4,099,839 (subject to USD/AUD exchange rate and the MNC Share price)		US\$0.5 million with a coupon rate of 16% pa convertible at the lower of A\$0.12 and 80% of VWAP over the three dealing days prior to conversion notice expiring 31 March 2012.	
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	29,018,076		US\$3.5 million repaid by conversion at A0.12.per share	

+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly report**

7.7	<b>Options</b> ( <i>description and conversion factor</i> )	Listed: 27,217,517 Unlisted: 4,500,000 14,250,000  14,250,000  2,000,000 2,000,000	Listed: 27,217,517 Unlisted: 4,500,000 14,250,000  14,250,000  2,000,000 2,000,000	Exercise price A\$0.25  A\$ 0.30 A\$ 0.44  A\$ 0.525  A\$ 0.44 A\$ 0.525	Expiry date: 04 Dec 2012  31 Jul 2012 No later than 06 Dec13 No later than 06 Dec13 06 Dec 2013 06 Dec 2013
7.8	Issued during quarter	14,250,000  14,250,000  2,000,000 2,000,000	14,250,000  14,250,000  2,000,000 2,000,000	A\$ 0.44  A\$ 0.525  A\$ 0.44 A\$ 0.525	No later than 06 Dec13 No later than 06 Dec13 06 Dec 2013 06 Dec 2013
7.9	Exercised during quarter	12,500		A\$ 0.25	
7.10	Expired during quarter				
7.11	<b>Debentures</b> ( <i>totals only</i> )				
7.12	<b>Unsecured notes</b> ( <i>totals only</i> )				

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX](#) (see note 4).
- 2 This statement does /does not\* ([delete one](#)) give a true and fair view of the matters disclosed.



27 January 2011

Sign here: ..... Date: .....  
(Director/Company secretary)  
Print name: .....Philip Killen.....

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity quarterly report

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change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.