

MLS

METALS AUSTRALIA LTD

ACN: 008 982 474

ANNUAL REPORT

2016

METALS AUSTRALIA LTD

CONTENTS

	Page No.
• Corporate Directory	1
• Review of Operations	2
• Directors' Report	7
• Consolidated Statement of Profit or Loss and Other Comprehensive Income	13
• Consolidated Statement of Financial Position	14
• Consolidated Statement of Changes in Equity	15
• Consolidated Statement of Cash Flows	16
• Notes to the Financial Statements	17
• Directors' Declaration	44
• Independent Audit Report	45
• Auditor's Independence Declaration	48
• Corporate Governance Statement	49
• Shareholder Information	63

METALS AUSTRALIA LTD

CORPORATE DIRECTORY

DIRECTORS

Hersh Solomon Majteles (Chairman)
Robert Collins
Michael Scivolo

COMPANY SECRETARY

Norman Grafton

REGISTERED OFFICE

1st Floor, 8 Parliament Place
West Perth WA 6005

Telephone: (08) 9481 7833
Facsimile: (08) 9481 7835
Email: mls@metalsaustralia.com.au
Website: www.metalsaustralia.com.au

SOLICITORS

- (1) Gilbert + Tobin
1202 Hay Street
West Perth WA 6005
- (2) Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

AUDITORS

Grant Thornton Audit Pty Ltd
10 Kings Park Road
West Perth WA 6005

BANKERS

Westpac Banking Corporation
Level 6, 109 40 St Georges Terrace
Perth WA 6000

SHARE REGISTRY

Advanced Share Registry Limited
110 Stirling Highway
Nedlands WA 6009

Telephone: (08) 9389 8033
Facsimile: (08) 9262 3723

SECURITIES EXCHANGE LISTING

The Company is listed on the Australian Securities Exchange

Home Exchange: Perth, Western Australia

ASX code for shares: MLS

REVIEW OF OPERATIONS AND ACTIVITIES

BASE METAL PROJECTS, WESTERN AUSTRALIA

Metals Australia (Metals) holds an interest in two base metals projects in Western Australia (Figure 1).

The Manindi zinc-copper project is located around 500 km northeast of Perth, and is being explored by Metals with a view to expanding the existing resources and evaluating the project's economic potential.

The Sherlock Bay Extended joint venture project is located in the Pilbara region and is being managed and explored by Australasian Resources Ltd (ARH). The project surrounds ARH's Sherlock Bay nickel deposit.

MANINDI ZINC PROJECT

The Manindi Project is an unmined zinc deposit located in the Murchison District of Western Australia, 20 km southwest of the Youanmi gold mine. The project is located on three granted mining licences.



Figure 1 – Location of the Western Australian base metals projects.

The Manindi base metal deposit is considered to be a volcanogenic massive sulphide (VMS) zinc deposit, comprising a series of lenses of zinc-dominated mineralisation that have been folded, sheared, faulted, and possibly intruded by later dolerite and gabbro. The style of mineralisation is similar to other base metal sulphide deposits in the Yilgarn Craton, particularly Golden Grove at Yalgoo to the west of Manindi, and Teutonic Bore-Jaguar in the Eastern Goldfields.

JORC 2012 MINERAL RESOURCE ESTIMATE

Earlier work by Metals resulted in an upgrade of the mineral resource to JORC 2012 reporting standard as follows.

Table 1 - Manindi JORC 2012 Mineral Resource Estimate.

Category	Resources		Metal Grade			Contained Metal		
	Cut off (Zn%)	Tonnage (t)	Zinc (%)	Copper (%)	Silver (g/t)	Zinc (t)	Copper (t)	Silver (oz)
Measured	0.5	48,785	8.20	0.34	7.22	3,999	166	11,320
Indicated	0.5	172,347	6.26	0.28	4.30	10,781	483	23,805
Inferred	0.5	1,447,039	4.27	0.22	2.77	61,774	3126	128,795
Total	0.5	1,668,171	4.59	0.23	3.06	76,554	3775	163,920
Measured	2.0	37,697	10.22	0.39	6.24	3,855	149	7,565
Indicated	2.0	131,472	7.84	0.32	4.60	10,309	421	19,439
Inferred	2.0	906,690	6.17	0.25	2.86	55,939	2267	83,316
Total	2.0	1,075,859	6.52	0.26	3.19	70,103	2837	110,320

Note figures may not add up precisely due to rounding.

EXPLORATION TARGETS

The previously identified high priority exploration targets remain untested. The highest priority targets in order of ranking are as follows:

1. Kaluta (greenfields)
2. Kultarr Deeps and Kultarr North (resource extension)
3. Kowari Deeps (resource extension)
4. Dibbler (greenfields)
5. Brushtail (greenfields)
6. Ningbing (greenfields)
7. Monjon (greenfields)

Full descriptions of the targets can be found in the 2015 annual report.

Work during the year was restricted to economic evaluations and desktop studies.

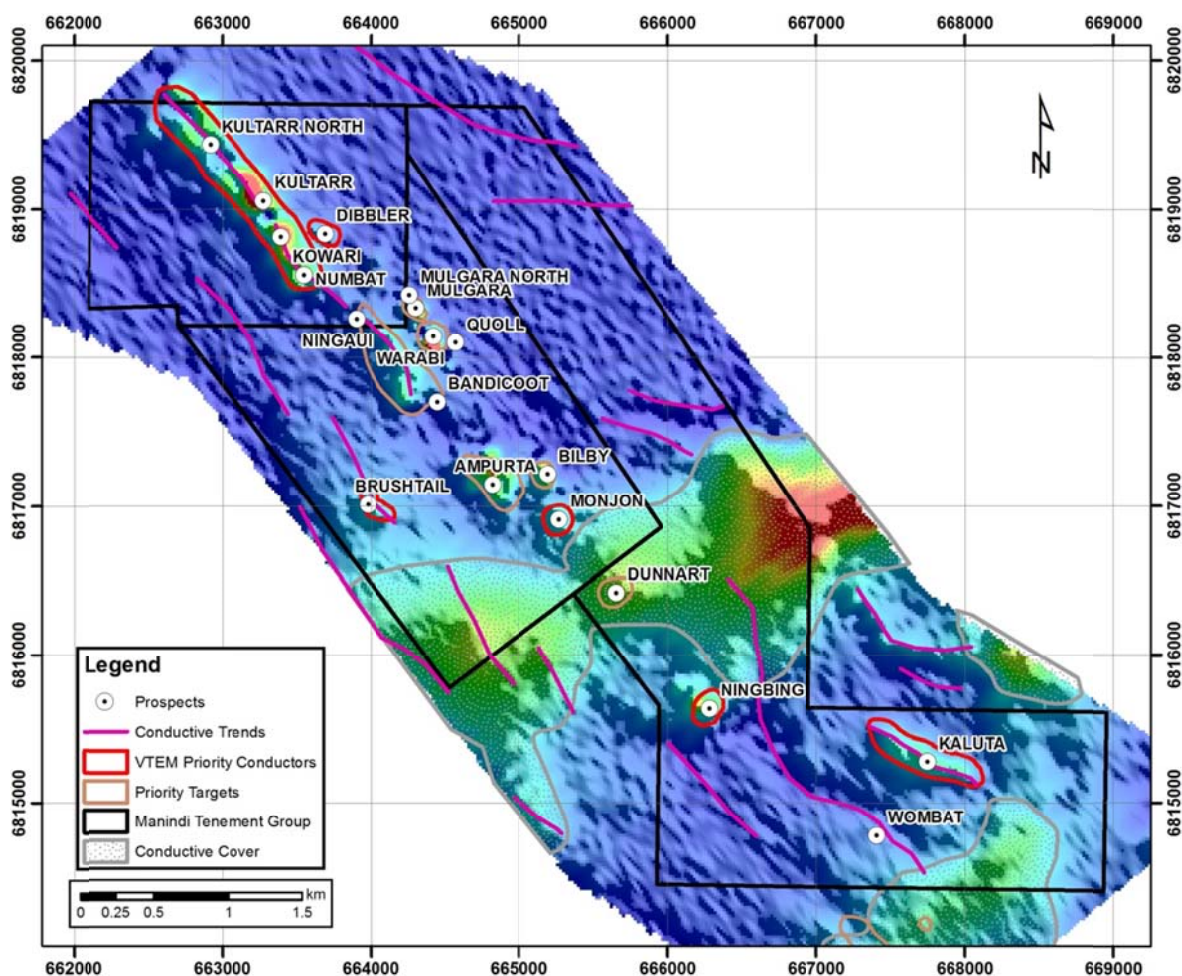


Figure 2 - Manindi VTEM imagery and target map showing highest priority targets in red polygons, other targets in beige polygons, conductive trends in pink lines and areas of conductive overburden in grey hatching

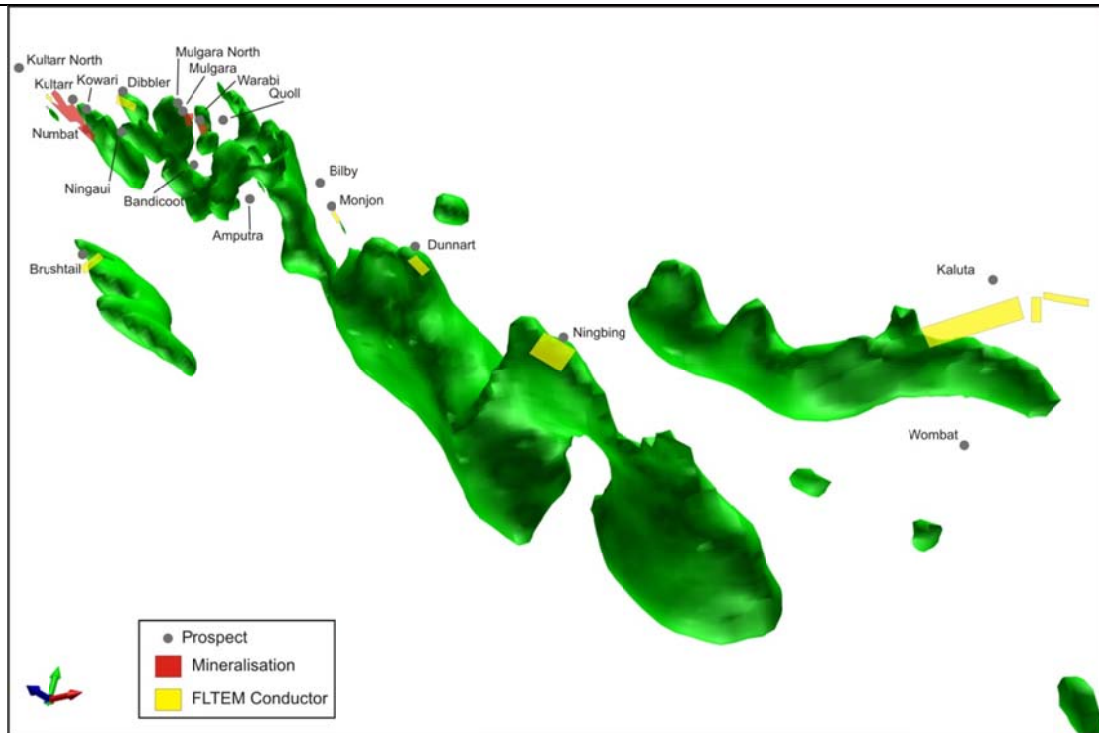


Figure 3 - 3D oblique view showing 3D magnetic inversion models in green with mineralisation wireframes in black and FLTEM conductor models in yellow. Note the favourable positions of the highest priority EM conductor models.

1. Other targets

There are several other lower ranking targets at Manindi with the potential to add to the mineral resource. These include:

- Mulgara/Warabi: Resource extension opportunities. Pre 2002 EM models extend to at least 150m below deepest drilling at Warabi.
- Ningai/Bandicoot: Large EM conductor, only partially tested by drilling. This target needs more systematic drilling on an optimised grid direction.
- Ampurta: Medium to large EM conductor only partially tested by drilling. Historic drilling is not systematic and copper grades reach up to 0.8% in places. This target needs further systematic drilling.
- Dunnart: Small untested EM conductor on the Manindi magnetic trend. The anomaly is located beneath conductive overburden so it could be larger than EM modelling indicates.
- Bilby: Small EM conductor intersected near its edge at a low angle by a single drillhole. No significant mineralisation intersected, but anomalous copper up to 486ppm in the drillhole.

METALS AUSTRALIA LTD
REVIEW OF OPERATIONS

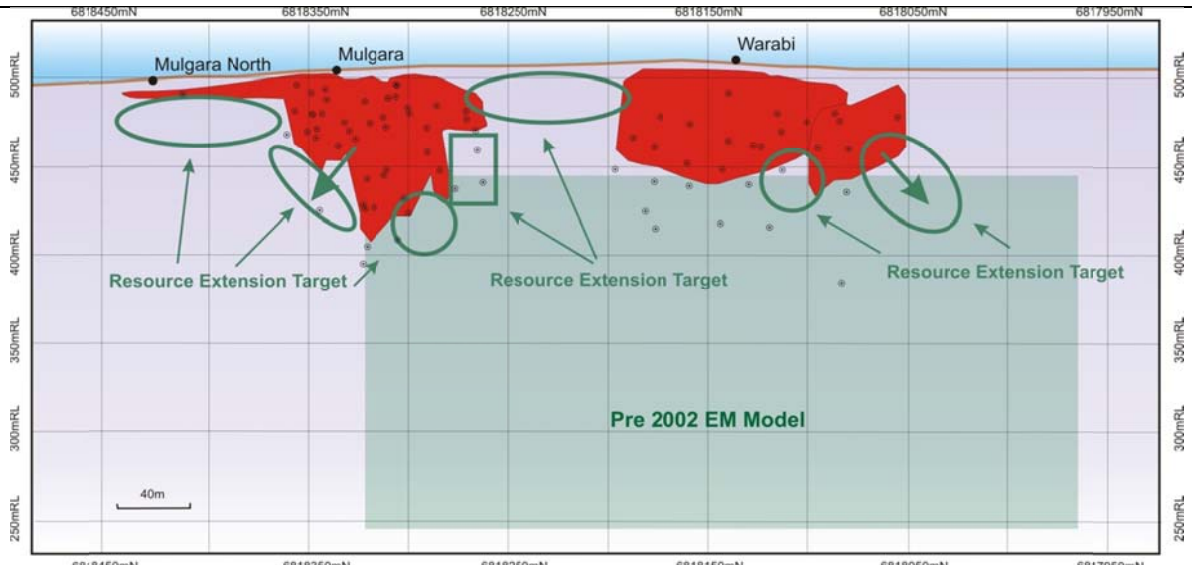


Figure 4 - Long section of Warabi and Mulgara showing areas for potential resource extensions and the Pre 2002 TEM conductor target. Drillhole pierce points are shown in black dots. Note some holes appear more than once as they intersect multiple discrete mineralised horizons

SHERLOCK BAY EXTENDED BASE METAL PROJECT

The Sherlock Bay Extended project is composed of two Exploration Licences (E47/1769 and E47/1770), which surround the main Sherlock Bay nickel deposit (wholly owned by Australasian Resources Ltd - 'ARH'). The project is prospective for nickel, copper, silver and gold mineralisation. The Sherlock Extended Project is a joint venture between Australasian and Metals Australia Ltd (30% interest). ARH are the managers of the project, with Metals Australia being 'free-carried' through to the completion of a bankable feasibility study and the decision to commence commercial mining.

No significant field work took place on the Sherlock Bay Nickel or Sherlock Extended Project during the year.

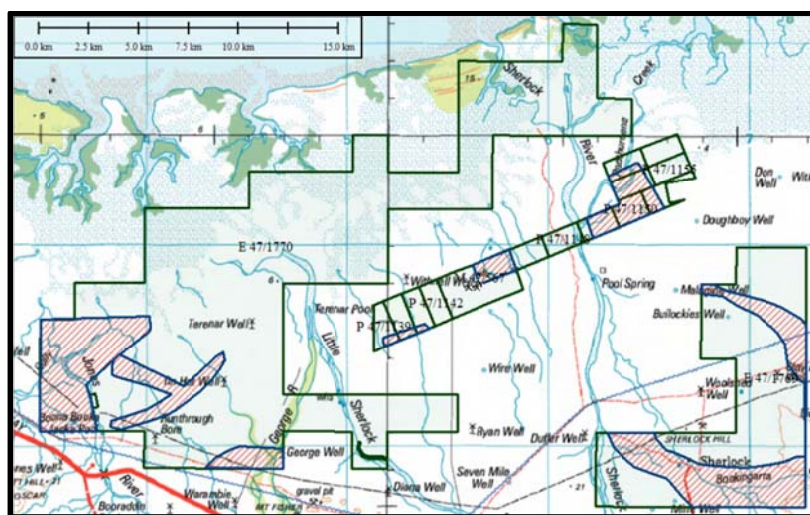


Figure 5 - Areas of exploratory interest set against 1:250,000 topography data

METALS AUSTRALIA LTD

REVIEW OF OPERATIONS

URANIUM EXPLORATION NAMIBIA

Metals owns 100% of the Mile 72 uranium project, located near Henties Bay on the west coast of Namibia. The project is considered prospective for calcrete and gypcrete hosted uranium as well as alaskite hosted uranium.

Activity during the year was restricted to geological and economic assessment.

MINERAL AND EXPLORATION LICENCES

Country	State/ Region	Project	Tenement ID	Area km ²	Grant Date	Expiry Date	Interest %	Company
Namibia		Mile 72	EPL 3308	73	19/05/2005	17/5/2015	100	Metals Namibia (Pty) Ltd
Australia	WA	Manindi	M57/227	4.64	3/09/1992	2/09/2034	80	Karrilea Holdings Pty Ltd
			M57/533	8.01	17/01/2008	16/01/2029	80	
Australia	WA	Sherlock Bay	E47/1769	76.7	7/09/2009	Pending	30	Metals Australia Ltd
			E47/1770	223	7/09/2009	Pending	30	

For further information please contact: Norman Grafton +61 8 9481 7833

Or consult our website: www.metalsaustralia.com.au

Competent Person Declaration

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Luke Marshall, a consultant to Metals Australia Ltd, and a member of The Australasian Institute of Geoscientists. Mr Marshall has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr Marshall consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Forward-Looking Statements

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Metals Australia Ltd's planned exploration program and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may", "potential," "should," and similar expressions are forward-looking statements. Although Metals Australia Ltd believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

CORPORATE

The Company continues to look for additional projects.

METALS AUSTRALIA LTD

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Metals Australia Ltd and its controlled entities for the year ended 30 June 2016.

DIRECTORS

The following were Directors of Metals Australia Ltd during the financial year and up to the date of this report:

Hersh Solomon Majteles (Chairman)
Michael Scivolo
Robert Collins

PRINCIPAL ACTIVITIES

The principal continuing activities of the consolidated entity are the exploration of mineral deposits and investment.

RESULTS

The loss of the Group for the financial year after providing for income tax amounted to \$169,149 (2015: \$614,287).

DIVIDENDS

Since the end of the previous financial year, no dividend has been declared or paid by the Company.

FINANCIAL POSITION

The net assets of the group have decreased by \$378,152 from \$5,769,011 at 30 June 2015 to \$5,390,859 at 30 June 2016.

SIGNIFICANT CHANGES

There have not been any significant changes in the state of affairs of the Group during the financial year, other than as noted in this financial report.

LIKELY DEVELOPMENTS

The Group will continue to focus on its exploration activities.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

(a) Qualifications and experience of Directors:

(i) Hersh Solomon Majteles LLB (Chairman)

Mr Majteles is a commercial lawyer and has been in private practice in Western Australia since 1972. He has been a board member of a number of publicly listed companies involved in the mining, resources, energy and biotech sectors for over twenty five years. Mr Majteles was a Director of Prime Minerals Limited until 29 October 2014 and Blaze International Limited until 4 December 2015. Mr Majteles is currently a Director of Power Resources Limited, and Chairman of Promesa Limited.

(ii) Michael Scivolo B. Com, FCPA (Executive Director)

Mr Scivolo has extensive experience in the fields of accounting and taxation in both corporate and non-corporate. He was a Director of South East Asia Resources Ltd until 29 November 2013, Prime Minerals Limited until 29 October 2014 and Blaze International Limited until 4 December 2015. Mr Scivolo is currently a Director of Power Resources Limited, Sabre Resources Ltd and Golden Deeps Limited.

METALS AUSTRALIA LTD

DIRECTORS' REPORT

(iii) Robert Collins (Non-Executive Director)

Mr Collins has served on a number of ASX listed industrial and mining company boards, and owned a large accounting practice serving the corporate sector. He was a Director of Prime Minerals Limited until 29 October 2014 and Blaze International Limited until 8 April 2016. Mr Collins is currently a Non-Executive Director of Golden Deeps Limited and Power Resources Limited.

(b) The Company Secretary was in office for the entire period, and his qualifications and experience are as follows:

Norman Grafton FCIS, FCSA

Mr Grafton has extensive experience in both Australian and international commerce, having previously been based in Singapore, Papua New Guinea and Jamaica. Prior to returning to Australia, he was Director of Finance and Company Secretary of the largest agro-industrial operation in Jamaica, on secondment from a major UK firm of corporate managers.

(c) Relevant interests of Directors in shares and options of the Company at the date of this report:-

Name	Ordinary Shares	Options
H S Majteles	2,950,000	-
M Scivolo	25,000	-
R Collins	-	-

(d) Directors' interest in contracts:-

No Director has an interest, whether directly or indirectly, in a contract or proposed contract with the Company.

REMUNERATION REPORT (AUDITED) 2016

Key Management Personnel	Short-term Benefits		Super-annuation	Share-based Payment Options	Total	Performance Related %
	Directors Fees	Consulting Fees				
	\$	\$	\$	\$	\$	
H S Majteles	30,000	2,850	-	-	32,850	-
M Scivolo	12,000	1,140	-	-	13,140	-
R Collins	12,000	-	-	-	12,000	-
V Algar	-	-	-	-	-	-
N Grafton	-	-	-	-	-	-
TOTAL	54,000	3,990	-	-	57,990	-

No Directors' Fees were paid during the year under review, although accruals have been made for payment at some time in the future.

METALS AUSTRALIA LTD

DIRECTORS' REPORT

2015

Key Management Personnel	Short-term Benefits		Super-annuation	Share-based Payment Options	Total	Performance Related %
	Directors Fees	Consulting Fees				
	\$	\$	\$	\$	\$	
H S Majteles	22,500	-	10,350	-	32,850	-
M Scivolo	9,000	-	4,140	-	13,140	-
R Collins	12,000	-	-	-	12,000	-
V Algar	-	33,060	-	-	33,060	-
N Grafton	-	34,344	4,986	-	39,330	-
TOTAL	43,500	67,404	19,476	-	130,380	-

KMP Shareholdings

The number of ordinary shares in Metals Australia Ltd held by each KMP during the financial year was as follows:

	Balance 1 July 2015	Granted as Compensation	Issued on exercise of options during the year	Other changes during the year	Balance 30 June 2016
H S Majteles	2,950,000	-	-	-	2,950,000
M Scivolo	25,000	-	-	-	25,000
R Collins	-	-	-	-	-
N Grafton	350,000	-	-	-	350,000
V Algar	-	-	-	-	-
Total	3,325,000	-	-	-	3,325,000

Directors receive a fixed fee (plus statutory superannuation where appropriate), with executive directors being remunerated for any professional service conducted for the Company. Directors did not receive any benefits in the form of share-based payments during the year under review.

There are no retirement schemes for any directors or any loans or any other type of compensation.

Board policy on the remuneration for this exploration Company is influenced by comparing fees paid to directors in other companies within the exploration industry, and then set at a level to attract qualified people, to accept the responsibilities of Directorship. No Director, executive or employee has an employment contract.

Being an exploration company, with no earnings, a relationship is yet to be established between an emolument policy and the Company's performance. During the year the Company did not engage remuneration consultants to review its existing remuneration policies.

At the last AGM shareholders voted to adopt the remuneration report for the year ended 30 June 2013. The Company did not receive specific feedback at the AGM regarding its remuneration practices.

END OF REMUNERATION REPORT

METALS AUSTRALIA LTD

DIRECTORS' REPORT

ANALYSIS OF MOVEMENT IN OPTIONS

No options were held by any Company Director during the reporting period, and no options were granted to Directors during the year under review.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2016 and the number of meetings attended by each Director:

Name	Eligible to attend	Attended
H S Majteles	3	3
M Scivolo	3	3
R Collins	3	3

The Company does not have a formally appointed audit committee as all Directors are involved in all activities of the Company and the size and scope of operations does not warrant its formation.

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

Mr Majteles retired by rotation as a Director at the Annual General Meeting on 27 November 2015 and was re-elected.

At the forthcoming Annual General Meeting, Mr Collins retires by rotation as a Director and offers himself for re-election.

ENVIRONMENTAL ISSUES

The Company's objective is to ensure that a high standard of environmental care is achieved and maintained on all properties. There are no known environmental issues outstanding.

EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year, except as reported in the following paragraphs, which significantly affect, or could significantly affect, the operations of the consolidated group, the results of these operations, or the state of affairs of the consolidated group in future years.

The Namibian government has released for comment a draft New Equitable Economic Empowerment Framework (NEEEF) discussion paper seeking to give Namibian citizens greater opportunities to participate in the economic development of their country. This paper was open for public comment until 29 April 2016, after which time any comments received will be analysed and may be included in any legislation subsequently presented to parliament.

It is not clear at this stage what the final form of the legislation, if enacted, may take and it may have implications for our future activities in Namibia.

Namibian Exclusive Prospecting Licence 3308 is currently going through the renewal process, with the application for renewal having been lodged before its renewal date of May 2015.

The Directors have obtained a legal opinion from a reputable and experienced Namibian legal firm and liaised with the Company's local auditors and are confident that the licence will be renewed.

INDEMNIFYING OFFICER OR AUDITORS

No indemnities have been given, or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the entity.

METALS AUSTRALIA LTD

DIRECTORS' REPORT

OPTIONS

As at the date of this report, there are no options on issue. 50,000,000 options granted on 2 September 2013 expired unexercised on 31 August 2016.

As disclosed in the Remuneration Report, there are no options on issue to Directors or executives at the date of this report.

PROCEEDINGS ON BEHALF OF THE 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.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the independent auditor's declaration as required by section 307c of the *Corporations Act 2001* is set out on page 48.

DIRECTORS' BENEFITS

Except as detailed in note 6, no Director of the Company has received or become entitled to receive during or since the end of the previous financial year, any benefit (other than a benefit included in the aggregate amounts of emoluments received or due and receivable by Directors shown in the accounts or the fixed salary of a full time employee of the Company or of a related corporation) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

AUDIT COMMITTEE

No Audit Committee has been formed as the Directors believe that the Company is not of a size to justify having a separate Audit Committee. Given the small size of the Board, the Directors believe an Audit Committee structure to be inefficient.

NON AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons;

- All non-audit services are reviewed and approved by the Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

During the year under review, Grant Thornton also provided services in relation to taxation matters. Details of the amounts paid and payable to the auditor of the company, Grant Thornton Audit Pty Ltd and its related entities for audit and non-audit services provided during the year are set out in Note 5 to the Financial Statements.

CORPORATE GOVERNANCE STATEMENT

The Company is committed to achieving and demonstrating the highest standards of corporate governance. Information about the Company's Corporate Governance policies are set out later in this report.

METALS AUSTRALIA LTD

DIRECTORS' REPORT

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



.....
M Scivolo Director

Dated this 30th of September 2016
Perth, Western Australia

METALS AUSTRALIA LTD

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	Consolidated 2016 \$	2015 \$
Revenue			
Interest earned		113	4,668
Gain on sale of plant & equipment		-	14,351
		113	19,019
Expenditure			
Change in fair value of investments		12,333	(2,659)
Impairment of exploration costs		-	54,150
Management fees		-	263,218
Directors' fees and services		57,990	68,661
Securities Exchange fees		14,924	18,107
Administration costs		-	149,832
Other operating costs		83,910	129,560
VAT recovery in Namibia		-	(50,363)
Depreciation expense		105	2,800
		169,262	633,306
Profit/(loss) before income tax		(169,149)	(614,287)
Income tax benefit	4	-	-
Profit/(loss) after income tax		(169,149)	(614,287)
Attributable to:			
Minority interest			
Members of the parent entity	15	(169,149)	(614,287)
<i>Other Comprehensive Income, net of tax:</i>			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign controlled entities		(209,004)	80,755
Total Comprehensive Income/(Loss) for the year		(378,153)	(533,532)
Total Comprehensive Income attributable to:			
Minority interest	16	-	-
Members of the parent entity		(378,153)	(533,532)
Total Comprehensive Income		(378,153)	(533,532)
Earnings per share			
		Cents	Cents
Basic and diluted profit/(loss) per share	17	(0.05)	(0.07)

The statement above should be read in conjunction with the accompanying notes.

METALS AUSTRALIA LTD

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

	Notes	Consolidated	
		2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	7	55,765	78,724
Trade and other receivables	8	91,210	66,282
Financial assets	10	54,669	67,002
TOTAL CURRENT ASSETS		201,644	212,008
NON-CURRENT ASSETS			
Plant and equipment	9	152	303
Exploration and evaluation expenditure	11	5,828,270	5,951,296
TOTAL NON-CURRENT ASSETS		5,828,422	5,951,599
TOTAL ASSETS		6,030,066	6,163,607
CURRENT LIABILITIES			
Trade and other payables	12(a)	44,896	44,313
TOTAL CURRENT LIABILITIES		44,898	44,313
NON-CURRENT LIABILITIES			
Trade and other payables	12(b)	439,312	350,283
Loans received	12(c)	155,000	-
TOTAL NON-CURRENT LIABILITIES		594,312	350,283
TOTAL LIABILITIES		639,210	394,596
NET ASSETS		5,390,858	5,769,011
EQUITY			
Issued capital	13	25,187,316	25,187,316
Option reserve	14	612,000	612,000
Foreign currency translation reserve		(46,115)	162,889
Accumulated losses	15	(20,362,343)	(20,193,194)
PARENT EQUITY INTEREST		5,390,858	5,769,011
Minority interest	16	-	-
TOTAL EQUITY		5,390,858	5,769,011

The statement above should be read in conjunction with the accompanying notes.

METALS AUSTRALIA LTD

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

CONSOLIDATED ENTITY

	Issued Capital	Option Reserve	Foreign Currency Translation Reserve	Accum- ulated Losses	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2014	25,187,316	612,000	82,134	(19,578,907)	6,302,543
Loss attributable to members of parent entity	-	-	-	(614,287)	(614,287)
Total other comprehensive income for the year	-	-	80,755	-	80,755
Total comprehensive income			80,755		80,755
Balance as at 30 June 2015	25,187,316	612,000	162,889	(20,193,194)	5,769,011
Loss attributable to members of parent entity	-	-	-	(169,149)	(169,149)
Total other comprehensive loss for the year	-	-	(209,004)	-	(209,004)
Total comprehensive loss	-	-	(209,004)	-	(209,004)
Balance as at 30 June 2016	25,187,316	612,000	(46,115)	(20,362,343)	5,390,858

The statement above should be read in conjunction with the accompanying notes.

METALS AUSTRALIA LTD

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

		Consolidated	
	Notes	2016	2015
		\$	\$
Cash flow from operating activities			
Payments to suppliers		(101,545)	(261,072)
Interest received		113	6,620
Net cash used in operating activities	18(a)	(101,432)	(254,452)
Cash flow from investing activities			
Exploration and evaluation expenditure		(74,631)	(281,009)
Proceeds from disposal of plant and equipment		46	21,904
Net cash used in from investing activities		(74,585)	(259,105)
Cash flow from financing activities			
Proceeds from loan		155,000	-
Net cash provided by financing activities		155,000	-
Net increase (decrease) in cash and cash equivalents held		(21,017)	(513,557)
Cash and cash equivalents at the beginning of the financial year		78,724	593,641
Effect of exchange rates on cash holdings in foreign currencies		(1,942)	(1,360)
Cash and cash equivalents at the end of the financial year	7	55,765	78,724

The statement above should be read in conjunction with the accompanying notes.

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of Metals Australia Ltd and its subsidiaries Karrilea Holdings Pty Ltd and Metals Namibia (Pty) Ltd (the Group) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 30 September 2016.

Metals Australia Ltd is a company incorporated and domiciled in Australia, limited by shares which are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are mineral exploration and investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, Australian Accounting Interpretations and complies with other requirements of the law, as appropriate for for-profit oriented entities. The financial report has also been prepared on an accruals basis and on a historical cost basis, except for financial assets and liabilities, which have been measured at fair value.

The financial report is presented in Australian Dollars.

The financial statements of the Company and Group have been prepared on a going concern basis which anticipates the ability of the Company and Group to meet its obligations in the normal course of the business. It is considered that the Company should obtain sufficient funds from capital raising to enable it to meet its obligations. If the Company is unable to continue as a going concern then it may be required to realise its assets and extinguish its liabilities, other than in the normal course of business and amounts different from those stated in the financial statements. (Refer to note 2(x)).

(b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

(c) New and Amended Accounting Standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. Information on these new standards which are relevant to the Group is presented below.

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

These amendments arise from the issuance of Annual Improvements to IFRS 2012-2014 Cycle in September 2014 by the IASB.

Among other improvements, the amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of AASB 5 Non-current Assets Held for Sale and Discontinued Operations does not apply. The amendments also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of AASB 5.

NOTES TO THE FINANCIAL STATEMENTS

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (ie. a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:

- intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold; or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements

The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments:

- Clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
- Clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated
- Add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order
- remove potentially unhelpful guidance in AASB 101 for identifying a significant accounting policy

AASB 2015- 4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent

AASB 2015-4 amends AASB 128 Investments in Associates and Joint Ventures to ensure that its reporting requirements on Australian groups with a foreign parent align with those currently available in AASB 10 Consolidated Financial Statements for such groups. AASB 128 will now only require the ultimate Australian entity to apply the equity method in accounting for interests in associates and joint ventures, if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

AASB 1057 Application of Australian Accounting Standards

In May 2015, the AASB decided to revise Australian Accounting Standards that incorporate IFRSs to minimise Australian specific wording even further. The AASB noted that IFRSs do not contain application paragraphs that identify the entities and financial reports to which the Standards (and Interpretations) apply. As a result, the AASB decided to move the application paragraphs previously contained in each Australian Accounting Standard (or Interpretation), unchanged, into a new Standard AASB 1057 Application of Australian Accounting Standards.

NOTES TO THE FINANCIAL STATEMENTS

(d) New Accounting Standards for Application in Future Periods

New and revised accounting standards and amendments that are currently issued for future reporting periods that are relevant to the Group include:

AASB 9 *Financial Instruments*

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The effective date is for annual reporting periods beginning on or after 1 January 2018.

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 14 *Regulatory Deferral Accounts*

AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP. Accordingly, an entity that applies AASB 14 may continue to apply its previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of its regulatory deferral account balances. This exemption is not available to entities who already apply Australian Accounting Standards.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

When AASB 14 becomes effective for the first time for the year ending 30 June 2017, it will not have any impact on the entity.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 replaces AASB 118: Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations. In summary, AASB 15:

- establishes a new revenue recognition model;
- changes the basis for deciding whether revenue is to be recognised over time at a point in time;
- provides a new and more detailed guidance on specific topics (eg multiple element arrangements, variable pricing, rights of return and warranties); and
- expands and improves disclosures about revenue.

When this Standard is first adopted for the year ending 30 June 2018, there will be no material impact on the transactions and balances recognised in the financial statements.

AASB *2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*

This amendment impacts on the use of AASB 11 when acquiring an interest in a joint operation.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

(e) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2016. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquire, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

(f) Interest in joint venture operation

The Group's interest in any joint venture operation is accounted for by recognising the Group's assets and liabilities from the joint venture, as well as expenses incurred by the Group and the Group's share of income earned from the joint venture, in the consolidated financial statements.

(g) Foreign currency translation

Both the functional and presentation currency of Metals Australia Ltd and its Australian subsidiary is the Australian Dollar (A\$). The functional currency of the Namibian subsidiary is the Namibian Dollar (N\$). Cash remittances from the parent entity to the Namibian subsidiary are sent in Australian dollars and then converted to Namibian dollars using the applicable rate of exchange. Monetary assets and liabilities denominated in the foreign currency are retranslated at the rate of exchange at the reporting date.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All differences in the consolidated financial report are taken to the Statement of Profit or Loss and Other Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of any overseas subsidiaries were translated into the presentation currency of Metals Australia Ltd at the rate of exchange ruling at the reporting date, and the Statement of Profit or Loss and Other Comprehensive Income is translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(h) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Plant and equipment – over 3 to 5 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

(i) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(j) Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that a non-financial asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(k) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. that date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

financial assets under contracts that require delivery of the assets within the period established generally by regulation or conversion in the market place.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale-investments

Available-for-sale-investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate economic component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

(l) 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, or sale, of the area or where activities in the area have not yet reached a stage that 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.

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.

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 structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(m) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(n) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

NOTES TO THE FINANCIAL STATEMENTS

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(p) Share-based payment transactions

(i) Equity settled transactions:

The Group provides benefits to Directors and consultants of the Group in the form of share-based payments whereby personnel render services in exchange for shares.

The cost of these equity-settled transactions was measured by reference to the fair value of the equity instruments at the date on which they were granted. The fair value was determined using the Black Scholes formula.

In valuing equity-settled transactions, no account was taken of any performance conditions, other than conditions linked to the price of the shares of Metals Australia Ltd (market conditions). The cost of equity-settled transactions was recognised, together with the corresponding increase in equity, on the date of grant of the options.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(ii) Cash settled transactions:

The Group does not provide benefits to employees in the form of cash-settled share based payments.

Any cash-settled transactions would be measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

(q) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

(r) Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and,
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Comprehensive Income.

(s) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(t) Trade and other payables

Trade and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group

NOTES TO THE FINANCIAL STATEMENTS

becomes obliged to make future payments in respect of the purchase of these goods and services.

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Earnings per share

Basic earnings per share is calculated as net profit/(loss) attributable to members of the parent, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/(loss) attributable to members of the parent, adjusted for:

- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(w) Comparatives

Comparatives are reclassified where necessary to be consistent with the current year's disclosures.

(x) Going Concern

The financial report has been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. During the period, the Group has reported a net loss of \$169,149 (2015: \$614,287) and a net cash outflow from operating activities of \$101,433 (2015: \$254,452) and from investing activities of \$74,585 (2015: \$259,105).

The Directors will continue to monitor the capital requirements of the Group, and this includes additional capital raisings in future periods as required.

In addition to planned capital raisings, the following initiatives are in place:

- A shareholder of the Company has agreed to provide cash advances to the Company until a capital raising has been completed. At this date, \$155,000 has been received by the Company under this arrangement
- The Company's largest creditor has deferred settlement of all outstanding invoices at balance date for a period of twelve months from the date of signing this report, and has agreed to defer settlement of all current invoices until the Company has sufficient available cash resources.
- In addition, Management Fees and Reimbursable Expenses for the year ended 30 June 2016 have been waived and no further charges will be raised until the Company is able to meet its commitments as they fall due

The Directors recognise that the above represents a material uncertainty as to the Group's ability to continue as a going concern, however, they are confident that the Group will be able to continue its operations into the foreseeable future.

Should the Group be unable to obtain the funding as described above, there is a material uncertainty as to whether the Group will be able to continue as a going concern, and therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report. The financial report does not include any

NOTES TO THE FINANCIAL STATEMENTS

adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

3. Significant Accounting Judgments, Estimates and Assumptions

In applying the Group's accounting policies, management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) *Significant accounting judgments include:*

(a) Classification of and value of investments

The Group has decided to classify investments in listed securities as "held for trading" investments and movements in fair value are recognised directly in the Statement of Profit or Loss and Other Comprehensive Income. The fair value of listed shares has been determined by reference to published price quotations in an active market.

(b) Provision in and loans to subsidiaries

Investments in and loans to subsidiaries are fully provided for until such time as subsidiaries are in a position to repay loans.

(c) Exploration expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$5,828,270. Refer to Note 11 for details in relation to the current renewal of the Namibian Licence.

(ii) *Significant accounting estimates and assumptions include:*

(a) Provision for rehabilitation

Where applicable, the Group makes provision for material restoration obligations. The amount recognised includes the cost of reclamation and site rehabilitation after taking into account any restoration works which are carried out during exploration. The provision for rehabilitation costs is determined from an estimate of future costs which may be incurred in rehabilitating exploration sites.

(b) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and turnover policies (for motor vehicles). In addition, the condition of assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

4. Income Tax

	Consolidated	
	2016	2015
	\$	\$
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax on profit/(loss) from ordinary activities before income tax at 30%:	(50,745)	(184,286)
Add:		
Tax effect of:		
Other non-allowable items	3,525	(55,348)
Other assessable items		-
Deferred tax asset not brought to account	50,777	241,624
Less:		
Tax effect of:		
Research and development tax offset		-
Effect of overseas tax rate	(3,556)	(1,990)
Income tax benefit attributable to entity	-	-
Unrecognised deferred tax assets:		
- Tax losses: operating losses	3,887,130	3,874,260
- Temporary differences	435,757	424,024
- Temporary differences equity		-
	4,322,887	4,298,284
Unrecognised Deferred Tax Assets	(975,596)	(954,422)

The benefits from Unrecognised Deferred Tax Assets will only be obtained if:

- (i) The companies derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised;
- (ii) The companies continue to comply with the conditions for deductibility purposes imposed by the Law; and
- (iii) No changes in tax legislation adversely affect the companies in realising the benefits from the deductions for the losses.

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

5. Auditor's Remuneration

	Consolidated	
	2016	2015
	\$	\$
Remuneration of the auditor of the parent entity, Grant Thornton Audit Pty Ltd		
- auditing or reviewing the financial report	24,850	27,160
- taxation services provided by a related practice of the auditor	5,300	4,900
- other	-	500
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial reports of subsidiaries	9,242	8,300
	<u>39,392</u>	<u>40,860</u>

6. Interests of Key Management Personnel (KMP)

Refer to the Remuneration Report contained in the Directors' Report for Details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2016.

The totals of remuneration paid to KMP during the year are as follows:

Short-term employee benefits	54,000	110,904
Superannuation	3,990	19,476
	<u>57,990</u>	<u>130,380</u>

7. Cash and Cash Equivalents

Represented by:

Cash at bank	<u>55,765</u>	<u>78,724</u>
--------------	----------------------	----------------------

8. Trade and Other Receivables

Current

Other debtors	<u>91,210</u>	<u>66,282</u>
---------------	----------------------	----------------------

9. Plant and Equipment

Plant and equipment, at cost	9,268	10,416
Less: accumulated depreciation	(9,116)	(10,113)
	<u>152</u>	<u>303</u>

Opening written down value	303	10,656
Disposals	(46)	(7,553)
Depreciation	(105)	(2,800)
Closing written down value	<u>152</u>	<u>303</u>

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

10. Other financial assets

	Consolidated	
	2016	2015
	\$	\$
Financial assets at fair value through profit or loss	<u>54,669</u>	<u>67,002</u>

11. Exploration and Evaluation Expenditure

Opening balance	5,951,296	5,716,868
Expenditure for the year	74,632	281,009
Impairment of exploration expenditure	-	(54,150)
Foreign exchange	<u>(197,658)</u>	<u>7,569</u>
	<u>5,828,270</u>	<u>5,951,296</u>

The Company's Australian exploration properties may be subject to claim(s) under native title, or contain sacred sites or sites of significance to Aboriginal people. As a result exploration properties or areas within the tenement may be subject to exploration and/or mining restrictions or incur a liability for compensation. It is not possible to quantify these restrictions and liabilities at this time.

Included in the abovementioned is \$2,576,285 relating to Exploration and Evaluation tenements held in Namibia. The Namibian government has released for comment a draft New Equitable Economic Empowerment Framework (NEEEF) discussion paper seeking to give Namibian citizens greater opportunities to participate in the economic development of their country. This paper was open for public comment until 29 April 2016, after which time any comments received will be analysed and may be included in any legislation subsequently presented to parliament.

It is not clear at this stage what the final form of the legislation, if enacted, may take and it may have implications for our future activities in Namibia.

Namibian Exclusive Prospecting Licence 3308 is currently going through the renewal process, with the application for renewal having been lodged before its renewal date of May 2015.

The Directors have obtained a legal opinion from a reputable and experienced Namibian legal firm and liaised with the Company's local auditors and are confident that the licence will be renewed.

12(a). Trade and other Payables

Current Payables	<u>44,896</u>	<u>44,313</u>
------------------	---------------	---------------

12(b). Trade and Other Payables

Non-Current Payables	<u>439,312</u>	<u>350,283</u>
----------------------	----------------	----------------

The Company has the unconditional right to defer settlement for at least twelve months from the issue of the audited financial statements.

12(c). Loans Received

Non-Current Loans received	<u>155,000</u>	<u>-</u>
----------------------------	----------------	----------

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

Repayment of the loan owed by the Company will not be called upon for a period of at least twelve months from the issue of the audited financial statements.

13. Issued Capital

There were no movements in the ordinary share capital of the Company occurred during the last two years, as shown in the table below.

Date	Details	Number of Shares	Amount \$
1 July 2014	Balance	819,951,110	25,187,316
30 June 2015	Balance	819,951,110	25,187,316
30 June 2016	Balance	<u>819,951,110</u>	<u>25,187,316</u>

The Company's capital consists of Ordinary Shares and the Company does not have a limited amount of authorised share capital. The Shares have no par value and are entitled to participate in dividends and the proceeds on any winding up of the Company in proportion to the number of Shares held. At shareholders' meetings, each fully paid ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

14. Share Option Reserve

Date	Details	Number of Options	Amount \$
1 July 2014	Balance	50,000,000	612,000
30 June 2015	Balance	50,000,000	612,000
30 June 2016	Balance	<u>50,000,000</u>	<u>612,000</u>

Summary of Options Granted

The following table sets out the number (No.) and weighted average exercise price (WAEP) of, and movements in, share options granted during the year:

	2016 No.	2016 WAEP (cents)	2015 No.	2015 WAEP (cents)
Outstanding at beginning of year	50,000,000	2.00	50,000,000	2.00
Forfeited during the year	-	-	-	-
Outstanding at the end of the year	<u>50,000,000</u>	<u>2.00</u>	<u>50,000,000</u>	<u>2.00</u>

As at the year end, there was one class of unlisted options, exercisable at 2 cents per option at any time up to their expiry date of 31 August 2016. The remaining contractual life of the options outstanding at year end was 0.17 years.

These options subsequently expired unexercised on 31 August 2016.

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

Capital Management

Management controls the capital of the group in order to maintain a good debt to equity ratio, and to ensure that the group can fund its operations and continue as a going concern. The group's debt and capital includes ordinary share capital, supported by financial assets. There are no externally imposed capital requirements. Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

15. Accumulated Losses

	Consolidated	
	2016	2015
	\$	\$
Accumulated losses at the beginning of the year	(20,193,194)	(19,578,907)
Options expired		-
Profit/(loss) for year	(169,149)	(614,287)
Accumulated losses at the end of the financial year	(20,362,343)	(20,193,194)

16. Minority Interest

	\$	\$
Comprises:		
Share capital	2	2
Accumulated losses	(2)	(2)
	-	-

The parent company has taken over the losses of its subsidiaries as there is no firm commitment from the minority shareholders to provide additional funding to the subsidiary.

17. Earnings per Share

Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share	819,951,110	819,951,110
Basic and diluted profit/(loss) per share - cents	(0.05)	(0.07)

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

18(a). Cashflow Information

Reconciliation to Statement of Cash Flows

	Consolidated	
	2016	2015
	\$	\$
Operating loss after income tax	(169,149)	(614,284)
Non-cash items in profit/(loss)		
Unrealised foreign exchange gain/(loss)	(9,405)	74,546
Impairment of exploration and evaluation expenditure	-	54,150
Revaluation of shares	12,333	(2,659)
Depreciation	105	2,800
Gain on disposal of plant & equipment	-	(14,351)
Changes in assets and liabilities:		
Decrease / (increase) in trade and other receivables	(24,928)	(39,001)
Increase / (decrease) in trade and other payables	89,612	284,347
Net cash flows (used in) operating activities	(101,432)	(254,452)

18(b). Non-cash share based payments

No non-cash share based payments were made during the year under review.

19. Financial Instruments

(a) Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Floating Interest Rate		Non-Interest Bearing		Total	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
	0.00% - 1.10%	0.00% - 3.59%				
Financial Assets						
Cash and cash equivalents	55,765	78,724	-	-	55,765	78,724
Loans and Receivables	-	-	91,210	66,282	91,210	66,282
Held for trading investments	-	-	54,669	67,002	54,669	67,002
Total Financial Assets	55,765	78,724	145,879	133,284	201,644	212,008
Financial Liabilities (at amortised cost)						
Trade and other payables	-	-	(639,210)	(394,595)	(639,210)	(394,595)
Net Financial Assets	55,765	78,724	(493,331)	(261,311)	(437,566)	(182,587)

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of Financial Assets to Net Assets

	Consolidated	
	2016	2015
	\$	\$
Net financial assets	(437,566)	(182,587)
Exploration and evaluation expenditure	5,828,270	5,951,296
Plant & equipment	152	303
Net assets	5,390,856	5,769,012

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provision for doubtful debts, as disclosed in the Statement of Financial Position and notes to the financial report.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

(c) Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements represent their respective net fair values determined in accordance with the accounting policies disclosed in Note 2 to the financial statements.

(d) Financial Risk Management

The Group's financial instruments consist mainly of deposits with recognised banks, investments in bank bills up to 90 days, accounts receivable and accounts payable, and loans to subsidiaries. Liquidity is managed, when sufficient funds are available, by holding sufficient funds in a current account to service current obligations and surplus funds invested in bank bills. The Directors analyse interest rate exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The main risks the Group is exposed to through its financial instruments are the depository banking institution itself, holding the funds, and interest rates. The Group's credit risk is minimal, as being an exploration company, no goods are sold, or services provided, for which consideration is claimed.

(e) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages the risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

(f) Sensitivity Analysis

Interest Rate Risk, Foreign Currency Risk and Price Risk

The group has performed sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2016, the effect on profit/(loss) and equity as a result of changes in the interest rate, with all other variables remaining constant would be minimal:

	Consolidated	
	2016 \$000	2015 \$000
Change in profit/(loss)		
- Increase in interest rate by 2%	-	2
- Decrease in interest rate by 2%	-	(2)
Change in equity	-	2
- Increase in interest rate by 2%	-	(2)
- Decrease in interest rate by 2%		

Foreign Currency Risk Sensitivity Analysis

There is minimal foreign currency risk as insignificant balances of foreign currency are held.

Price Risk Sensitivity Analysis

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

Consolidated Group	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Financial Liabilities - Due for Payment</i>								
Trade and other payables	44,898	394,595	594,312	-	-	-	639,210	394,595
Total expected outflows	44,898	394,595	594,312	-	-	-	639,210	394,595
<i>Financial Assets - Cash Flows Realisable</i>								
Cash and cash equivalents	55,765	78,724	-	-	-	-	55,765	78,724
Bank deposits over 3 months	-	-	-	-	-	-	-	-
Receivables	91,210	66,282	-	-	-	-	91,210	66,282
Financial assets through profit or loss	54,669	-	-	67,002	-	-	54,669	67,002
Total anticipated inflows	201,644	145,006	-	67,002	-	-	201,644	212,008
Net (outflow)/inflow on financial instruments	156,746	(249,589)	(594,312)	67,002	-	-	(437,566)	(182,587)

Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

The Group is also exposed to securities price risk on investments held for trading or for medium to longer terms. Such risk is managed through diversification of investments across industries and geographical locations.

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000

**Consolidated Group
2016**

Financial assets

Financial assets at fair value through profit or loss:

Investments: held for trading	55	-	-	55
	55	-	-	55

2015

Financial assets

Financial assets at fair value through profit or loss:

Investments: held for trading	67	-	-	67
	67	-	-	67

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets have been based on the closing quoted bid prices at reporting date, excluding transaction costs.

20. Investment in controlled entities

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding (%)		Book Value of Investment		Contribution to Consolidated Result	
			2016	2015	2016	2015	2016	2015
			%	%	\$	\$	\$	\$
Karrilea Holdings Pty Ltd	Australia	Ordinary	80	80	-	-	-	-
Metals Namibia (Pty) Ltd	Namibia	Ordinary	100	100	-	-	(26,532)	-

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

21. Related Parties

The Group's related parties include its subsidiaries, key management and others as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were received or given.

Related Party	Relationship	Nature Of Transaction	Year ended 30 June 2016		Year ended 30 June 2015	
			Transaction	Balance	Transaction	Balance
			\$	\$	\$	\$
Karrilea Holdings Pty Ltd	Subsidiary	Loan	70,577	3,631,570	154,422	3,560,993
Metals Namibia (Pty) Ltd	Subsidiary	Loan	45,000	2,540,000	55,000	2,495,000
Karrilea Holdings Pty Ltd	Subsidiary	Provisions	(70,577)	(3,631,570)	(154,422)	(3,560,993)
Metals Namibia (Pty) Ltd	Subsidiary	Provisions	(45,000)	(2,540,000)	(55,000)	(2,495,000)
Sabre Resources Ltd	Common directorship	Employee Costs	-	-	(17,090)	-
Golden Deeps Limited	Common directorship	Employee Costs	(3,821)	-	(4,373)	(2,605)
Golden Deeps Limited	Common directorship	Shareholding	-	40,000	-	55,000

All transactions with Directors are disclosed in Note 6.

22. Operating Segments

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (Chief Operating decision makers) in assessing performance and determining the allocation of resources. As the Group is focused on mineral exploration, the Board monitors the Group based on actual versus budgeted exploration expenditure incurred by area of interest. The internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

The Company is managed on the basis of area of interest. Operating segments are therefore determined on the same basis.

Segments

The two reportable segments are as follows:

- (i) Western Australian Base Metal Projects;
- (ii) Namibian Uranium Projects.

Basis of Accounting for purposes of reporting by operating segments

Accounting Policies Adopted

All amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

There are no inter-segment transactions. Segment assets are clearly identifiable on the basis of their nature. Segment liabilities include trade and other payables and the provision for rehabilitation.

Unallocated items

Corporate costs are not considered core operations of any segment.

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been restated to conform to the requirements of the Standard.

Segment Performance

<u>2016</u>	Western Australian Base Metals	Namibian Uranium	Total
	\$	\$	\$
<u>Revenue from external sources</u>			
Unallocated - Interest revenue	-	-	113
Unallocated - Gain/(loss) on investments	-	-	(12,333)
Total Group Revenue			(12,220)
<u>Segment Profit/(loss)</u>			
Unallocated items - corporate charges	-	(47,417)	(47,417)
Total Group profit/(loss)			(169,149)
<u>Segment Assets</u>			
Exploration costs	3,251,985	2,576,285	5,828,270
Unallocated - cash, receivables, plant & equipment	-	-	201,796
Total Group Assets			6,030,066
<u>Segment Liabilities</u>			
Unallocated - corporate trade payables	633,987	5,220	639,207
Total Group Liabilities			639,207

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

<u>2015</u>	Western Australian Base Metals	Namibian Uranium	Total
	\$	\$	\$
<u>Revenue from external sources</u>			
Unallocated - Interest revenue	-	-	4,668
Unallocated – Other income	-	-	14,351
Unallocated - Gain/(loss) on investments	-	-	2,659
Total Group Revenue			21,678
<u>Segment Profit/(loss)</u>			
Unallocated items - corporate charges	-	(26,532)	(26,532)
Total Group profit/(loss)			(614,287)
<u>Segment Assets</u>			
Unallocated - cash, receivables, plant & equipment	3,181,408	2,769,887	5,951,295
Total Group Assets			6,163,606
<u>Segment Liabilities</u>			
Unallocated - corporate trade payables	386,359	8,236	394,595
Total Group Liabilities			394,595

23. Commitments

(i) Mining Tenements

As part of ongoing activities, the consolidated entity is required to commit to minimum expenditures to retain its interest in its Western Australian mining tenements. Over the next five years this amounts to \$797,000, as follows:

Year Ending 30 June	Amount \$
2017	159,400
2018	159,400
2019	159,400
2020	159,400
2021	159,400
	797,000

(ii) Management Agreement

The Company has an agreement with a management service company for the provision of services at \$255,000 per annum plus CPI. Charges are at commercial terms in accordance with the Deed of Variation to Facilitation and Management Agreement entered into on 18 October 2012 for a five year term. KMM will be waiving all fees until after the proposed capital raising is completed and the company is able to meet its commitments as they fall due.

24. Contingent Liabilities

No contingent liability exists for termination benefits under service agreements with directors or persons who take part in the management of the company. There were no contingent liabilities as at 30 June 2016.

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

25. Subsequent Events

Apart from the comments in the succeeding paragraphs, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group, the results of these operations, or the state of affairs of the consolidated group in future years.

The Namibian government has released for comment a draft New Equitable Economic Empowerment Framework (NEEEF) discussion paper seeking to give Namibian citizens greater opportunities to participate in the economic development of their country. This paper was open for public comment until 29 April 2016, after which time any comments received will be analysed and may be included in any legislation subsequently presented to parliament.

It is not clear at this stage what the final form of the legislation, if enacted, may take and it may have implications for our future activities in Namibia.

Namibian Exclusive Prospecting Licence 3308 is currently going through the renewal process, with the application for renewal having been lodged before its renewal date of May 2015.

The Directors have obtained a legal opinion from a reputable and experienced Namibian legal firm and liaised with the Company's local auditors and are confident that the licence will be renewed.

26. Parent Entity Information

The following details information related to the parent entity, Metals Australia Ltd, at 30 June 2016. The information presented here has been prepared using consistent accounting policies as shown in Note 2.

	Parent Entity	
	2016	2015
	\$	\$
ASSETS		
Current assets	143,735	66,415
Non-current assets	1,547,476	1,614,178
TOTAL ASSETS	<u>1,691,211</u>	<u>1,680,593</u>
LIABILITIES		
Current liabilities	(39,678)	(36,076)
Non-current liabilities	(594,312)	(350,283)
TOTAL LIABILITIES	<u>(633,990)</u>	<u>(386,359)</u>
EQUITY		
Issued capital	25,187,316	25,187,316
Accumulated losses	(24,742,092)	(24,504,782)
TOTAL EQUITY	<u>445,224</u>	<u>682,534</u>
RESERVES		
Share option reserve	612,000	612,000
TOTAL RESERVES	<u>612,000</u>	<u>612,000</u>
FINANCIAL PERFORMANCE		
(Loss) for the year	(169,149)	(797,176)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE (LOSS)	<u>(169,149)</u>	<u>(797,176)</u>

No guarantees have been entered into by the parent entity on behalf of its subsidiary.

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

No contingent liabilities exist.

No contractual commitments by the parent company exist, other than those for exploration commitments and Management Agreement fees as set out below. It should be noted that for the year ended 30 June 2017, the Management Fees have been waived until after the proposed capital raising is completed and the company is able to meet its commitment as they fall due.

Year Ending 30 June	Amount \$
2017	159,400
2018	255,000
2019	159,400
2020	159,400
2021	159,400
	<u>892,600</u>

METALS AUSTRALIA LTD

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Metals Australia Ltd (the "Company"):
- (a) the financial statements and notes set out on pages 14 to 44, and the remuneration disclosures that are contained in pages 9 to 10 of the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance, for the financial year ended on that date;
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (iii) complying with International Financial Reporting Standards as disclosed in Note 2.
 - (b) the remuneration disclosures that are contained in pages 9 to 10 of the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures; and
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the Chief Financial Officer for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the Directors:



M Scivolo
DIRECTOR

Dated this 30th day of September 2016
Perth, Western Australia

Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report To the Members of Metals Australia Limited

Report on the financial report

We have audited the accompanying financial report of Metals Australia Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, 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. Those standards 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.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

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 Company's preparation of the financial report that gives a true and fair view 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 Company'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 have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of Metals Australia Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Emphasis of matter

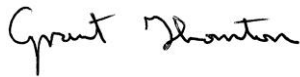
Without qualifying our opinion, we draw attention to Note 2(x) to the financial report which indicates that the consolidated entity incurred a net loss of \$169,149 and incurred cash outflows from operating and investing activities of \$176,017 during the year ended 30 June 2016. These conditions, along with other matters as set forth in Note 2(x), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in pages 8 to 9 of the directors' report for the year ended 30 June 2016. 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 on the remuneration report

In our opinion, the remuneration report of Metals Australia Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P W Warr
Partner - Audit & Assurance

Perth, 30 September 2016

Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

**Auditor's Independence Declaration
To the Directors of Metals Australia Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Metals Australia Limited for the year ended 30 June 2016, 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
Chartered Accountants



P W Warr
Partner - Audit & Assurance

Perth, 30 September 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

CORPORATE GOVERNANCE STATEMENT

Metals Australia Ltd ACN 008 982 474 ("the Company") has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's corporate governance practices is set out on the Company's website at www.metalsaustralia.com.au :

Principle 1 – Lay solid foundations for management and oversight

Responsibilities of the Board

The Board is responsible for the following matters:

- ensuring the Company's conduct and activities are ethical and carried out for the benefit of all its stakeholders;
- development of corporate strategy, implementation of business plans and performance objectives;
- reviewing, ratifying and monitoring systems of risk management, codes of conduct, internal control system and legal and regulatory compliance;
- the appointment of the Company's Corporate Manager, Chief Executive Officer (or equivalent), Chief Financial Officer, Company Secretary and other senior executives;
- monitoring senior executives' performance and implementation of strategy;
- determining appropriate remuneration policies;
- allocating resources and ensuring appropriate resources are available to management;
- approving and monitoring the annual budget, progress of major capital expenditure, capital management, and acquisitions and divestitures; and
- approving and monitoring financial and other reporting.

Diversity

The Company recognises and respects the value of diversity at all levels of the organisation.

Due to the size and scale of the Company's activities, most managerial and geological services are provided by the Corporate Manager and the Company no direct employees.

When the level of activity permits, the Directors will ensure that women are fairly considered and the Company's aim will be to promote a culture which embraces diversity through ongoing education, succession planning, director and employee selection and recognising that skills are not gender specific.

The Company recognises that the mining and exploration industry is intrinsically male dominated in many of the operational sectors and the pool of women with appropriate skills is limited in some instances. The Company also recognises that diversity extends to matters of age, disability, ethnicity, marital/family status, religious/cultural background and sexual orientation. Where possible, the Company will seek to identify suitable candidates for positions from a diverse pool.

As at the date of this report, the Company has no women appointed to the Board, or to senior management.

METALS AUSTRALIA LTD

CORPORATE GOVERNANCE

Chairman

The Chairman is responsible for leadership of the Board and for the efficient organisation and conduct of the Board's business. The Chairman should facilitate the effective contribution of all directors and promote constructive and respectful relations between directors and between the Board and management of the Company. The Chairman is responsible for briefing directors on issues arising at Board meetings and is ultimately responsible for communications with shareholders and arranging Board performance evaluation.

Corporate Manager

The Corporate Manager is responsible for running the affairs of the Company under authority delegated from the Board. In carrying out its responsibilities the Corporate Manager must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results.

Company Secretary

The Company Secretary is responsible for monitoring the extent that Board policy and procedures are followed, and coordinating the timely completion and despatch of Board agendas and briefing material and is accountable directly to the Board on all matters to do with the proper functioning of the Board. All directors are to have access to the Company Secretary.

Performance Evaluation

The Chairman and/or the Managing Director are responsible for reviewing the performance of each executive at least once every calendar year. During the financial year ended 30 June 2016, an evaluation of the performance of the Board and its members was not formally undertaken. However, a general review of the Board and executives occurs on an on-going basis to ensure that structures suitable to the Company's status as a listed entity are in place.

It is the policy of the Board to conduct evaluation of individual employees' performance. The objective of this evaluation is to provide best practice corporate governance to the Company. During the financial year an evaluation of the performance of the individuals was not formally carried out. However, a general review of the individuals occurs on an on-going basis to ensure that structures suitable to the Company's status as a listed entity are in place.

Principle 2 - Structure the Board to add value

Composition of the Board

The Company will ensure that the Board will be of a size and composition that is conducive to making appropriate decisions and be large enough to incorporate a variety of perspectives and skills, and to represent the best interests of the Company as a whole rather than of individual shareholders or interest groups. It will not, however, be so large that effective decision-making is hindered.

Independent Directors

The Company will regularly review whether each non-executive director is independent and each non-executive director should provide to the Board all information that may be relevant to this assessment. If a director's independence status changes this should be disclosed and explained to the market in a timely fashion.

An Independent Director:

1. is a Non-Executive Director and;
2. is not a substantial shareholder of the Company or an officer of, or otherwise

METALS AUSTRALIA LTD

CORPORATE GOVERNANCE

- associated directly with, a substantial shareholder of the Company;
3. within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
 4. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
 5. is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
 6. has no material contractual relationship with the Company or other group member other than as a Director of the Company;
 7. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
 8. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Company's non-executive directors are all independent and will endeavour to ensure that it has a majority of independent directors at all times, subject to the right of shareholders in general meeting to elect and remove directors.

The Company's current non-executives are:

Hersh Majteles was first appointed on 6 March 1987
Michael Scivolo was first appointed on 23 July 2012
Robert Collins was first appointed on 26 February 2014

Chairman

The Chairman should be a non-executive director who is independent and should not be the Chief Executive Officer of the Company. The Chairman's other positions should not be such that they are likely to hinder the effective performance of his role of Chairman of the Company.

Independent decision-making

All directors - whether independent or not - should bring an independent judgment to bear on Board decisions. Non-executive directors are encouraged to confer regularly without management present. Their discussions are to be facilitated by the Chairman, if he is independent, or, if he is not independent, the deputy Chairman. Non-executive directors should inform the Chairman before accepting any new appointments as directors.

Independent advice

To facilitate independent decision making, the Board and any committees it convenes from time to time may seek advice from independent experts whenever it is considered appropriate. With the consent of the Chairman, individual directors may seek independent professional

METALS AUSTRALIA LTD

CORPORATE GOVERNANCE

advice, at the expense of the Company, on any matter connected with the discharge of their responsibilities.

Procedure for selection of new directors

The Company believes it is not of a size to justify having a Nomination Committee. If any vacancies arise on the Board, all directors will be involved in the search and recruitment of a replacement. The Board believes corporate performance is enhanced when it has an appropriate mix of skills and experience.

Prior to the appointment of a director, appropriate checks will be undertaken to determine the suitability of any candidate, and the Board will provide security holders with all material information in its possession, which the Board considers relevant.

In support of their candidature for directorship or re-election, non-executive directors should provide the Board with details of other commitments and an indication of time available for the Company. Prior to appointment or being submitted for re-election non-executive directors should specifically acknowledge to the Company that they will have sufficient time to meet what is expected of them. Re-appointment of directors is not automatic. There are no written agreements with directors.

The Company has reviewed the skill set of its Board to determine where the skills lie and any relevant gaps in skill shortages. The Company monitors any perceived gaps in skills, as well as seeking to identify future suitable Board candidates for positions from a diverse pool.

Induction and education

The Board has an induction programme to enable new directors to gain an understanding of:

- the Company's financial, strategic, operational and risk management position;
- the rights, duties and responsibilities of the directors;
- the roles and responsibilities of senior executives; and
- the role of any Board committees in operation.

Directors will have reasonable access to continuing education to update and enhance their skills and knowledge, including education concerning key developments in the Company and in the industries in which the Company's business is involved.

Access to information

The Board has the right to obtain all information from within the Company which it needs to effectively discharge its responsibilities.

Senior executives are required on request from the Board to supply the Board with information in a form and timeframe, and of a quality that enables the Board to discharge its duties effectively. Directors are entitled to request additional information where they consider such information necessary to make informed decisions.

Principle 3: Promote ethical and responsible decision-making

Code of conduct

The Board has adopted the Code of Conduct set out at Appendix A to promote ethical and responsible decision making by directors, management and employees. The Code embraces

METALS AUSTRALIA LTD

CORPORATE GOVERNANCE

the values of honesty, integrity, enterprise, excellence, accountability, justice, independence and equality of stakeholder opportunity.

The Board is responsible for ensuring that training on the Code of Conduct is provided to staff and officers of the Company.

The Board is responsible for making advisers, consultants and contractors aware of the Company's expectations set out in the Code of Conduct.

Policy for trading in Company securities

The Board has adopted a policy on trading in the Company's securities by directors, senior executives and employees set out in Appendix B.

The Board is responsible for ensuring that the policy is brought to the attention of all affected persons and for monitoring compliance with the policy.

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Management

The Company believes it is not of a size to justify having a separate Audit and Risk Management Committee. Ultimate responsibility for the integrity of the Company's financial reporting rests with the full Board. Given the small size of the Board, the directors believe an Audit and Risk Management Committee structure to be inefficient. All directors share responsibility for ensuring the integrity of the Company's financial reporting and appropriate Board processes have been implemented to perform the following audit and risk management functions:

- external audit function:
 - review the overall conduct of the external audit process including the independence of all parties to the process;
 - review the performance of the external auditors;
 - consider the reappointment and proposed fees of the external auditor; and
 - where appropriate seek tenders for the audit and where a change of external auditor is recommended arrange submission to shareholders for shareholder approval;
- reviewing the quality and accuracy of published financial reports;
- reviewing the accounting function and ongoing application of appropriate accounting and business policies and procedures;
- reviewing and imposing variations to the risk management and internal control policies designed and implemented by Company management; and
- any other matters relevant to audit and risk management processes.

The Company's Risk Management Policy ensures that the Board as a whole is responsible for the oversight of the Company's risk management and control framework. The objectives of the Company's Risk management strategy are to:

- identify risks to the Company;
- balance risk to reward;

METALS AUSTRALIA LTD

CORPORATE GOVERNANCE

- ensure regulatory compliance is achieved; and
- ensure senior executives, the Board and investors understand the risk profile of the Company.

The Board monitors risk through various arrangements including:

- regular Board meetings;
- share price monitoring;
- market monitoring; and
- regular review of financial position and operations.

The Company's Risk Management Policy is considered adequate for addressing and managing risk. It is intended that the Board will annually review the following categories of risks affecting the Company as part of the Company's systems and processes for managing material business risks:

- operational matters,
- financial reporting,
- sovereignty and
- market-related risks.

Principle 5: Make timely and balanced disclosure

Disclosure Policy

The Board has adopted a Disclosure Policy for ensuring timely and accurate disclosure of price-sensitive information to shareholders through the ASX set out in Appendix D.

The Disclosure Policy ensures that:

- all investors have equal and timely access to material information concerning the Company including its financial position, performance, ownership and governance; and
- Company announcements are subjected to a vetting and authorisation process designed to ensure they are:
 - released in a timely manner;
 - factual and do not omit material information; and
 - expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to making it easy for shareholders to participate in shareholder meetings of the Company. The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

METALS AUSTRALIA LTD

CORPORATE GOVERNANCE

Shareholders are given the opportunity to receive communications electronically.

The Company's website includes the following:

- Corporate Governance policies, procedures, charters, programs, assessments, codes and frameworks;
- Names and biographical details of each of its directors and senior executives;
- Constitution;
- Copies of annual, half yearly and quarterly reports;
- ASX announcements;
- Copies of notices of meetings of security holders;
- Media releases;
- Overview of the Company's current business, structure and history;
- Details of upcoming meetings of security holders;
- Summary of the terms of the securities on issue;
- Historical market price information of the securities on issue;
- Contact details for the share registry and media enquiries;
- Share registry key security holder forms.

Principle 6: Respect the rights of shareholders

Communication with Shareholders

The Board is committed to open and accessible communication with holders of the Company's shares and other securities. Disclosure of information and other communication will be made as appropriate by telephone, mail or email.

The Company's website will also be used to provide additional relevant information to security holders. The Board considers the following to be appropriate features for the Company's website:

- placing the full text of notices of meeting and explanatory material on the website;
- providing information about the last three years' press releases or announcements plus at least three years of financial data on the website; and
- providing information updates to security holders on request by email.

General Meetings

The Company is committed to improving shareholder participation in general meetings. In order to achieve that objective, the Company has adopted guidelines of the ASX Corporate Governance Council for improving shareholder participation through the design and content of notices and through the conduct of the meeting itself.

The external auditor is invited to attend every AGM for the purpose of answering questions from security holders relevant to the audit.

METALS AUSTRALIA LTD

CORPORATE GOVERNANCE

Principle 7: Recognise and manage risk

Creation and implementation of Company risk management policies

It is the responsibility of the Corporate Manager to create, maintain and implement risk management and internal control policies for the Company, subject to review by the Board.

The Corporate Manager must report to the Board on an annual basis regarding the design, implementation and progress of the risk management policies and internal control systems.

Audit and Risk Management

As referenced with respect to Principle 4, the Board has not established an Audit and Risk Management Committee for the reasons given above.

Due to the nature and size of the Company's operations, and the Company's ability to derive substantially all of the benefits of an independent internal audit function, the expense of an independent internal auditor is not considered to be appropriate.

The Company has considered its economic, environmental and social sustainability risks by way of internal review and has concluded that it is not subject to material economic, environmental and social sustainability risks.

Review by the Board

The Board will review the effectiveness of implementation of the risk management system and internal control system at least annually.

When reviewing risk management policies and internal control system the Board should take into account the Company's legal obligations and should also consider the reasonable expectations of the Company's stakeholders, including security holders, employees, customers, suppliers, creditors, consumers and the community.

Corporate Manager

The Corporate Manager is required annually to state in writing to the Board that the Company has a sound system of risk management, that internal compliance and control systems are in place to ensure the implementation of Board policies, and that those systems are operating efficiently and effectively in all material respects.

Verification of financial reports

The Corporate Manager and Chief Financial Officer are required by the Company to state the following in writing prior to the Board making a solvency declaration pursuant to section 295(4) of the Corporations Act:

- that the Company's financial reports contain a true and fair view, in all material respects, of the financial condition and operating performance of the Company and comply with relevant accounting standards; and
- that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

Director and senior executive remuneration policies

The Company's remuneration policy is structured for the purpose of:

METALS AUSTRALIA LTD

CORPORATE GOVERNANCE

- motivating senior executives to pursue the long-term growth and success of the Company; and
- demonstrating a clear relationship between senior executives' performance and remuneration.

The Board's responsibility is to set the level and structure of remuneration for officers (including but not limited to directors and secretaries) and executives, for the purpose of balancing the Company's competing interests of:

- attracting and retaining senior executives and directors; and
- not paying excessive remuneration.

Executive directors' remuneration is structured to reflect short and long-term performance objectives appropriate to the Company's circumstances and goals.

Executive directors' and senior executives' remuneration packages involve a balance between fixed and incentive-based pay, reflecting short and long-term performance objectives appropriate to the Company's circumstances and goals.

Non-executive directors' remuneration is formulated with regard to the following guidelines:

- non-executive directors are normally remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or equity, usually without participating in schemes designed for the remuneration of executives;
- non-executive directors are not provided with retirement benefits other than superannuation.

Executives and non-executive directors are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

No director is involved in setting their own remuneration or terms and conditions, but if such a case were to arise, the relevant director would be required to absent himself from the full Board discussion.

Remuneration Committee

The Company believes it is not of a size to justify having a Remuneration Committee and that it has Board processes in place which raise the issues that would otherwise be considered by a committee.

Appendix A – Code of Conduct

Introduction

This Code of Conduct sets out the standards with which the Board, management and employees of the Company are encouraged to comply when dealing with each other, the Company's shareholders and the broader community.

Responsibility to shareholders

The Company aims:

- to increase shareholder value within an appropriate framework which safeguards the rights and interests of shareholders; and
- to comply, with openness and integrity, the systems of control and accountability which the Company has in place as part of its corporate governance.

Responsibility to clients, employees, suppliers, creditors, customers and consumers

The Company will comply with all legislative and common law requirements which affect its business.

Employment practices

The Company will employ the best available staff with the skills required to carry out the role for which they are employed. The Company will ensure a safe workplace and maintain proper occupational health and safety practices.

Responsibility to the community

The Company recognises, considers and respects environmental, native title and cultural heritage issues which may arise in relation to the Company's activities and will comply with all applicable legal requirements.

Responsibility to the individual

The Company recognises and respects the rights of individuals and will comply with applicable laws regarding privacy and confidential information.

Obligations relative to fair trading and dealing

The Company will deal with others in a way that is fair and will not engage in deceptive practices.

Business courtesies, bribes, facilitation payments, inducements and commissions

Corrupt practices are unacceptable to the Company. It is prohibited for the Company or its directors, managers or employees to directly or indirectly offer, pay, solicit or accept bribes or any other corrupt arrangements.

Conflicts of interest

The Board, management and employees must report any situations where there is a real or apparent conflict of interest between them as individuals and the interests of the Company. Where a real or apparent conflict of interest arises, the matter must be brought to the attention of the Chairman in the case of a Board member, the Corporate Manager in the case of a member of management and a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner.

Compliance with the Code of Conduct

Any breach of compliance with this Code of Conduct is to be reported directly to the Chairman.

METALS AUSTRALIA LTD

CORPORATE GOVERNANCE

Periodic review of Code

The Company will monitor compliance with this Code of Conduct periodically by liaising with the Board, management and staff. Suggestions for improvements or amendments to this Code of Conduct can be made at any time to the Chairman.

Appendix B – Policy for trading in Company securities

Introduction

The Company recognises and enforces legal and ethical restrictions on trading in its securities by relevant persons within and external to the Company. The terms of this securities dealing policy apply to the Company's directors, Corporate Manager, senior executives, employees and consultants (Relevant Persons).

Communication

This policy will be communicated to all Relevant Persons and will be placed on the Company website.

Trading restrictions

Trading by Relevant Persons in the Company's securities is subject to the following limitations:

- No trading in Company securities shall take place during the two weeks preceding release of each quarterly report, half-yearly financial report, and annual financial report of the Company.
- No trading in the Company's securities shall take place, directly or indirectly, where it is known, or ought reasonably to have been known by the person intending to trade, that information exists which has not been released to the ASX and where that information is of a type that could reasonably be expected to encourage buying or selling were that information known by others.
- No trading shall take place in Company securities unless prior notice is given to the Chairman (and approval is obtained from the Chairman).

Hardship

During a period specified in the above paragraphs, Relevant Persons may, after obtaining the Chairman's consent, trade the Company's securities to the extent reasonably necessary to avoid or ameliorate documented hardship and suffering or as required by other extenuating circumstances.

Directors' trading and disclosures

Within twenty four hours of a director being appointed to the Board, resigning or being removed from the Board, or trading in the Company's securities, full details of the director's notifiable interests in the Company's securities and changes in such interest must be advised to the Company Secretary so that a record is kept within the Company and so that necessary ASX notifications will occur.

All directors must notify the Company Secretary of any margin loan or similar funding arrangement entered into in relation to the Company's securities and any variations to such arrangements, including the number of securities involved, the circumstances in which the lender can make margin calls, and the right of the lender to dispose of securities.

Appendix C - Disclosure Policy

Disclosure requirements

The Company recognises its obligations pursuant to the continuous disclosure rules of the ASX Listing Rules and the Corporations Act to keep the market fully informed of information which may have a material effect on the price or value of the Company's securities.

Subject to certain exceptions (in ASX Listing Rule 3.1A), the Company is required to immediately release to the market information that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Responsibilities of directors officers and employees

The Board as a whole is primarily responsible for ensuring that the Company complies with its disclosure obligations and for deciding what information will be disclosed. Subject to delegation, the Board is also responsible for authorising all ASX announcements and responses of the Company to ASX queries.

Every director, officer and employee of the Company is to be informed of the requirements of this policy and must advise the Corporate Manager, Chairman or Company Secretary as soon as possible (and prior to disclosure to anyone else) of matters which they believe may be required to be disclosed.

Authorised Disclosure Officer

The Board has delegated its primary responsibilities to communicate with ASX to the following Authorised Disclosure Officer:

- the Company Secretary or
- in the absence of the Company Secretary, the Corporate Manager is authorised to act in that capacity by the Board.

Responsibilities of Authorised Disclosure Officer

Subject to Board intervention on a particular matter, the Authorised Disclosure Officer is responsible for the following:

- monitoring information required to be disclosed to ASX and coordinating the Company's compliance with its disclosure obligations;
- ASX communication on behalf of the Company, authorising Company announcements and lodging documents with ASX;
- requesting a trading halt in order to prevent or correct a false market;
- providing education on these disclosure policies to the Company's directors, officers and employees; and
- ensuring there are vetting and authorisation processes designed to ensure that Company announcements:
 - are made in a timely manner;
 - are factual;
 - do not omit material information; and
 - are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

An Authorised Disclosure Officer, who is responsible for providing contact details and other information to ASX to ensure such availability, must be available to communicate with the ASX at all reasonable times.

Measures to avoid a false market

In the event that ASX requests information from the Company in order to correct or prevent a false market in the Company's securities, the Company will comply with that request. The extent of information to be provided by the Company will depend on the circumstances of the ASX request.

If the Company is unable to give sufficient information to the ASX to correct or prevent a false market, the Company will request a trading halt.

If the full Board is available to consider the decision of whether to call a trading halt, only they may authorise it, but otherwise, the Authorised Disclosure Officer may do so.

ASX announcements

Company announcements of price sensitive information are subjected to the following vetting and authorisation process to ensure their clarity, timely release, factual accuracy and inclusion of all material information:

- The Authorised Disclosure Officer must prepare ASX announcements when required to fulfil the Company's disclosure obligations.
- Proposed announcements must be approved by the Corporate Manager or in his absence, urgent announcements may be approved by any other person expressly authorised by the Board.
- Announcements must first be released to the ASX Announcements Platform before being disclosed to any other private or public party (such as the media). After release of the announcement, it must be displayed on the Company's website, following which the Company can then release such information to media and other information outlets.
- Wherever practical, all announcements must be provided to the directors, Corporate Manager and Company Secretary prior to release to the market for approval and comment.

Confidentiality and unauthorised disclosure

The Company must safeguard the confidentiality of information which a reasonable person would expect to have a material effect on the price or value of the Company's securities. If such information is inadvertently disclosed, the Authorised Disclosure Officer must be informed of the same and must refer it to the Chairman and Corporate Manager as soon as possible.

External communications and media relations

The Chairman, Corporate Manager and Company Secretary are authorised to communicate on behalf of the Company with the media, government and regulatory authorities, stock brokers, analysts and other interested parties or the public at large. No other person may do so unless specifically authorised by the Chairman or the Corporate Manager.

All requests for information from the Company must be referred to the Authorised Disclosure Officer for provision to the Chairman and the Corporate Manager.

Breach of Disclosure Policy

Serious breaches of the Company's Disclosure Policy may be treated with disciplinary action, including dismissal, at the discretion of the Board.

Where the breach is alleged against a member of the Board, that director will be excluded from the Board's consideration of the breach.

METALS AUSTRALIA LTD
SHAREHOLDER INFORMATION

Additional information included in accordance with listing requirements of the Australian Securities Exchange Limited.

1. SHAREHOLDERS

(a) As at 14 September 2016 the distribution of members and their shareholdings were:-

Range of Holding	Holders	Shares Held	Percent
1 - 1,000	100	58,830	0.007
1,001 - 5,000	282	955,752	0.117
5,001 - 10,000	365	3,138,072	0.383
10,001 - 100,000	1,260	54,917,545	6.698
100,001 - and over	681	760,880,911	92.796
	2,688	819,951,110	100.000

(b) There exist 2,144 shareholders with unmarketable parcels of shares.

(c) The twenty largest shareholders as at 14 September 2016 which represents 48.302% of the paid up capital were as follows:

Name of Holder	Number	Percent
JP Morgan Nominees Australia Ltd	86,746,124	10.457
HSBC Custody Nominees (Australia) Pty Ltd	68,471,631	8.351
Alban Horst Hasslinger	38,500,000	4.695
Pan Pacific Mining Pty Ltd	35,000,000	4.269
Philip Hamlyn	25,000,000	3.049
Thomas & Eileen Doyle	22,036,406	2.688
I-CAN Limited	17,000,000	2.073
Pio Services Limited	15,057,000	1.836
L C Asia Limited	12,720,000	1.551
Salvatore Danze	12,000,000	1.464
Neptune Design Limited	10,500,000	1.281
Bassam Haddad	8,000,000	0.976
Romsup Pty Ltd <Romadak Super Fund>	6,880,500	0.839
Paul Arsenis	6,750,000	0.823
Ruth Adams & Derek Mitchell	6,633,000	0.809
Mick Zivkov	5,725,000	0.698
Matthew Carney	5,031,062	0.614
Zuvela Super Fund	5,000,000	0.610
Oran Dorel	5,000,000	0.610
Gabriel Hewitt	5,000,000	0.610
	396,050,723	48.302

(d) **Substantial Shareholders**

The names of the substantial shareholders who have notified the Company in accordance with Section 671B of the *Corporation Act 2001* are:

Name	Number of Ordinary Shares	Percentage of Issued Capital
AI Opportunity Fund	50,000,000	6.11%

2. OPTIONHOLDERS

There was one class of 50,000,000 unlisted options, exercisable at 2 cents each at any time up to their maturity on 31 August 2016. These options have now expired unexercised.