



ANNUAL REPORT 2009

Corporate Directory

DIRECTORS

Hersh Solomon Majteles (Chairman)
Alexander Clemen
David Zukerman

COMPANY SECRETARY

Norman Grafton

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SECURITIES EXCHANGE LISTING

The Company is listed on the Australian Securities Exchange
Home Exchange: Perth, Western Australia
ASX code for shares: MLS

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Review of Operations

OPERATIONS REPORT, 2008-2009

Metals Australia Ltd ('Metals') has completed exploration in a number of areas this year, with work focusing on the Manindi Zinc Project, while legal proceedings took place in Namibia. Metals has also enacted an active project generation programme to identify new opportunities for the Company.

AUSTRALIA – EXPLORATION ACTIVITIES

Metals hold an interest in two base metals projects in Western Australia, namely the Manindi Zinc project and the Sherlock Bay Base Metal Project.

The Manindi Zinc project is located in the Murchison District and is being explored by Metals with a view to expanding the existing resource base and potentially developing the project.

The Sherlock Bay Base Metal 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 and is currently being explored for both base and precious metals.

1. MANINDI ZINC PROJECT (M 27/227, 240 & 533)

The Manindi Zinc Project is located in the Murchison District of Western Australia, 20 kilometres southwest of the Youanmi mine site. The project comprises a series of volcanogenic massive sulphide zinc deposits. The geological environment shows similarities to those of other base metal sulphide deposits in the Yilgarn Craton of Western Australia such as the Golden Grove deposits located to the west of Manindi, at Yalgoo, and the Teutonic Bore-Jaguar deposits in the Eastern Goldfields.

Metals has previously delineated a global JORC resource of:
1,354,129 tonnes @ 6.04% Zinc, 0.25% Copper, 3.4 gpt Silver & 0.25 gpt Gold*

The resource is divided into the following categories (at a **1% Zinc** cut-off):

Measured	497,171 tonnes @ 7.32% Zinc
Indicated	438,131 tonnes @ 6.38% Zinc
Inferred	418,827 tonnes @ 4.14% Zinc

Metals completed a number of work programmes at Manindi in the course of the year including surface geochemistry and metallurgical testwork. These programmes are detailed below:

1.1 SURFACE GEOCHEMISTRY

The Manindi project includes more than 7.5 kilometres of prospective strike, of which less than 2.5 kilometres of stratigraphy has been drill tested. The remaining 5 kilometres of strike remained only partially tested by surface geochemistry, however a recent programme of soil sampling has extended the area of coverage and highlighted new target areas.

• Northern Target Areas

Surface geochemistry in the northern project area has previously highlighted a number of geochemical targets that require further testing. In addition, recent soil sampling has further defined the existing target areas as well as highlighting a new target at 'Ringtail' (see Figure 1).

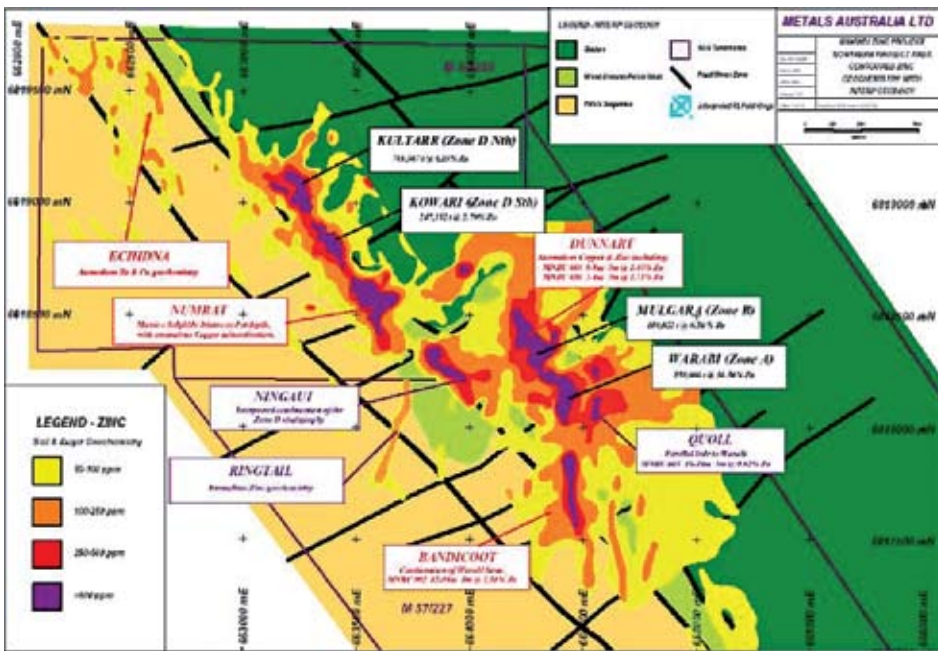


Figure 1 – Northern project area with interpretive geology and contoured zinc geochemistry.

The 'Ringtail' target covers more than 500 metres of strike and shows peak values of over 100 ppm zinc.

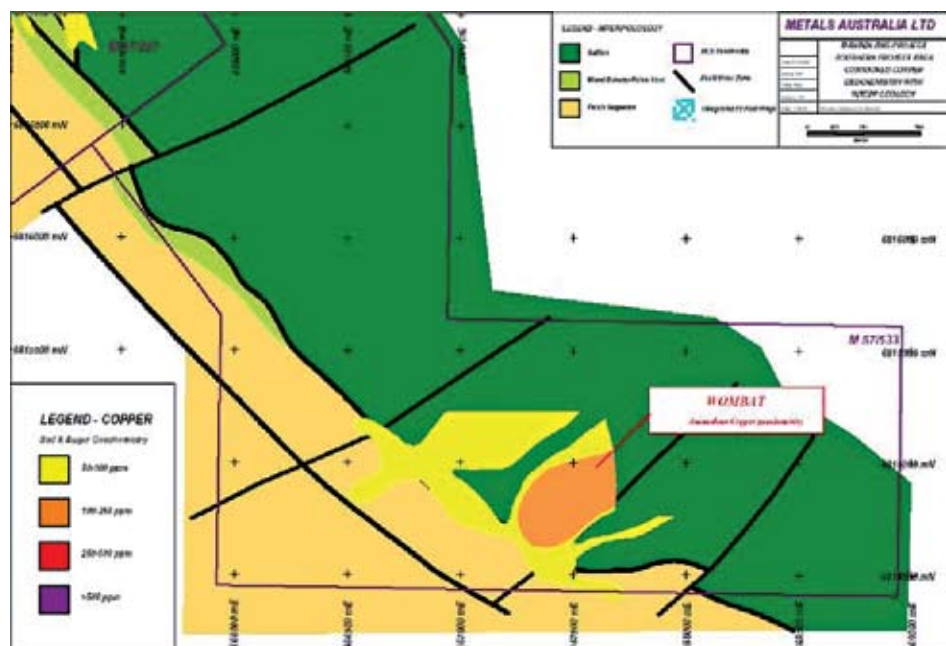
• Southern Target Areas

Recent surface sampling has delineated a sizable copper anomaly at 'Wombat' (see Figure 2). The anomaly covers more than 1,000 metres of strike, with peak values of more than 100 ppm copper. The anomaly appears to be structurally controlled and the anomaly remains open to the east.

1.2 STRUCTURAL & MINERALISATION STUDY

A detailed study has indicated that mineralisation at Manindi is hosted by a folding of the overturned contact of a sub-volcanic gabbro and the overlying felsic volcano-sedimentary sequence. Newly-defined south-plunging folding is centred on the deposit and it is clear that neither the anticlinal (Zone 4) nor the synclinal (Zone 3) hinges have been tested by drilling. These newly identified structural sites are considered to be highly prospective zones for massive sulphides.

Figure 2 – Southern project area with interpretive geology and contoured copper geochemistry.



Another newly-defined target zone is located 500-1000 metres southeast of known mineralisation at Manindi (Zone 5). This area is stratigraphically higher up in the sequence of the overlying felsic volcano-sedimentary package. The stacked nature of Volcanogenic Massive Sulphide ('VMS') deposits make this area a highly prospective but high-risk target.

Reconnaissance over the target areas identified by the above study will be checked and evaluated prior to further detailed exploration being undertaken.

1.3 METALLURGICAL TEST WORK

The initial phase of metallurgical studies on the Manindi resources has now been completed. Studies focused upon the potential for the production of a base metal concentrate, including:

- **'Rougher' Concentrate**

The 'rougher concentrate' is the first phase of concentrate production. The Zone D and Zone A & B samples showed recoveries in excess of 90% and produced a concentrate of greater than 24% Zinc for 'cleaning'.

- **'First Cleaning'**

The 'first cleaning' is the second phase of concentrate production. Results from the Manindi samples show recoveries in excess of 80%, with the concentrate rising to a greater than 40% zinc grade.

This stage of production has yet to be fully refined with tests indicating that recoveries of greater than 90%, together with a higher grade concentrate, can be achieved by adjusting the parameters of the cleaning.

Further test work may be undertaken when market conditions improve and would include refinement of the 'roughing' process and the first cleaning. The development of the second cleaning has yet to be undertaken but would markedly improve both recoveries and grade, with the target parameters for the concentrate being in excess of 90% recovery with a grade of greater than 50% zinc.

2. SHERLOCK BAY BASE METAL PROJECT (E 47/1227, 1769 & 1770)

The Sherlock Bay Extended project is composed of one granted Exploration Licence (E 47/1227) and two Exploration Licence Applications (ELA 47/1769 and ELA 47/1770) which cover an area of more than 470 km². These leases surround the Sherlock Bay nickel deposit, which is wholly owned by Australasian Resources Ltd ('Australasian'). The project is prospective for nickel, copper, silver and gold mineralisation.

The project is a joint venture between Australasian Resources Ltd (70% interest) and Metals Australia Ltd (30% interest). Australasian are the managers of the project, with Metals being 'free-carried' through to the completion of a bankable feasibility study and the decision to commence commercial mining.

Exploration by Australasian during the year has included a detailed assessment of the tenement area. Work undertaken included:

- A review of Moving Loop EM to define further drill targets.
- A comprehensive programme of fact and interpretive geological mapping.
- Orientation soil and vegetation geochemical sampling over various areas of the project.

Vegetation sampling has proved to be particularly effective in the detection of mineralisation below alluvial cover, with further sampling planned for the 2009-2010 year.

3. PROJECT GENERATION

Metals is actively seeking exploration opportunities in Australia to add quality assets to the company's portfolio. Metals will update investors on the progress of this programme as new projects are acquired to complement the company's existing tenement positions.

NAMIBIA, SOUTH-WEST AFRICA

Metals held two strategically located uranium projects in Namibia, southwest Africa. The Mile 72 & Engo Valley uranium projects have had little or no exploration undertaken on them in the past twenty years, prior to the involvement of Metals. Both projects show significant potential to host economic uranium mineralisation.

Metals held these licences from March 2006 and they fell due for renewal in May and June 2008. Metals lodged its applications to renew the licences in February and May 2008.

Unfortunately, the vendor of the tenements lodged a court application against the Company, the Minister of Mines and Energy and the vendor's former partner who facilitated the tenement acquisition in 2005. The hearing of the matter before the Namibian High Court was undertaken between 26 and 29 May, and after a short adjournment, was concluded on 9 June 2009.

The Namibian High Court handed down its judgment in late July 2009, in relation to the claim by the vendor for the return of Metals Australia's Exploration Prospecting Licences 3306 and 3308. Judgment was disappointingly issued in favour of the vendor of the tenements.

The Board of Metals has a number of concerns with the judgment, and has sought and received further legal advice that there are strong grounds for an appeal of the judgment.

Accordingly, an appeal has now been lodged in the Namibian Supreme Court against the judgment. An appeal automatically suspends the operation of the judgment pending the outcome of the appeal, and, as such, the Minister of Mines and Energy is thereby prohibited from transferring the tenements back to the vendor pending the outcome of the appeal.

It is anticipated that a date will soon be set for the appeal to be heard.

Competent Person Declaration

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Timothy Putt of Exploration and Mining Information Systems, who is a member of The Australasian Institute of Geoscientists and the Society of Economic Geologists. Mr. Putt 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 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr Putt consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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 2009.

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)

David Zukerman

Alexander Clemen

PRINCIPAL ACTIVITIES

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

RESULTS

The Group loss for the financial year after providing for income tax amounted to \$1,484,960 (2008: \$1,015,188 loss).

DIVIDENDS

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

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.

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

INDEMNIFYING OFFICERS OR AUDITOR

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.

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.

Fees for non-audit services, paid/payable to the external auditors Grant Thornton during the year ended 30 June 2009 amounted \$3,000 (2008: \$5,101 to the company's former auditors, Stantons International).

The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

LIKELY DEVELOPMENTS

The Group will continue to focus on its exploration and investment activities.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

(a) Qualifications, experience and special responsibilities of Directors:-

(i) Hersh Solomon Majteles LLB

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. During the past three years, he has also been, and remains, a Director of Eqitx Limited.

(ii) Alexander Clemen B.Sc (Hons), FAusIMM

Mr Clemen is a qualified geologist with over thirty years experience practising in this field. He has worked for several large international mining companies in various parts of the world and has gained experience in exploring for gold, base metals, industrial minerals and diamonds. During the past three years he has served as a Director of Golden Deeps Ltd and Sabre Resources Ltd.

(ii) David Zukerman

Mr Zukerman has an accounting and finance background. He has held a number of public company directorships in Australia and Asia during the past twenty five years. During the past three years he has served as a Director of Golden Deeps Ltd and Sabre Resources Ltd and was formerly a Director of Tiger Resources Ltd.

(b) Qualifications, experience and special responsibilities of Company Secretary:-

Norman Grafton FCPA, FCIS

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. During the last three years, he was a Director of Orchid Capital Limited.

(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	2,400,000
A Clemen	450,010	2,400,000
D Zukerman	–	2,400,000

(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)

2009

Key Management Personnel	Short-term Benefits		Share-based Payment	Total \$
	Directors Fees/ Super \$	Consulting Fees \$	Options \$	
H S Majteles	25,000	–	–	25,000
A Clemen	12,000	72,800	–	84,800
D Zukerman	–	25,003	–	25,003
TOTAL	37,000	97,803	–	134,803

2008

Key Management Personnel	Short-term Benefits		Share-based Payment	Total \$
	Directors Fees \$	Consulting Fees \$	Options \$	
H S Majteles	23,130	–	116,200	139,330
A Clemen	12,000	104,000	116,200	232,200
D Zukerman	–	26,346	116,200	142,546
TOTAL	35,130	130,346	348,600	514,076

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

The Company does not have any officers or senior executives, other than the Directors.

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. However, in the previous year, shareholders approved the grant of 1,400,000 options to each of the Directors. The options are exercisable at 10.5 cents per option at any time up to their expiry date of 31 December 2010. The fair value of the options was determined using the Black Scholes formula. No options lapsed or were exercised during the period 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.

ANALYSIS OF MOVEMENT IN OPTIONS

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each Company Director is detailed below.

Name	Held at 1 July 2008 \$	Granted During Year \$	Value of Options			Held at 30 June 2009 \$
			Exercised In Year \$	Expired In Year \$	Sold In Year \$	
H S Majteles	163,209	–	–	–	–	163,209
A Clemen	163,209	–	–	–	–	163,209
D Zukerman	163,209	–	–	–	–	163,209
	489,627	–	–	–	–	489,627

No options were granted 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 2009 and the number of meetings attended by each Director.

Name	Eligible to attend	Attended
H S Majteles	7	7
A Clemen	7	7
D Zukerman	7	7

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

Alexander Clemen retired by rotation as a Director at the Annual General Meeting on 12 November 2008 and was re-elected.

At the forthcoming Annual General Meeting, David Zukerman 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

The Directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that has significantly or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Directors' Report continued

SHARE OPTIONS

As at the date of this report, the following options over unissued ordinary shares are on issue:

- (a) 106,150,000 ASX listed options, each exercisable for one ordinary share on or before 30 September 2009 at an exercise price of 5 cents each, and
- (b) 28,400,000 unlisted options, each exercisable for one ordinary share on or before 31 December 2010 at an exercise price of 10.5 cents each.

PROCEEDINGS ON BEHALF OF THE COMPANY

Apart from as disclosed elsewhere regarding the Namibian tenements, 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 35.

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.

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



D N Zukerman
DIRECTOR

Dated this thirtieth day of September 2009
Perth, Western Australia

Income Statement

For the Year Ended 30 June 2009

	Note	Consolidated		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
REVENUE					
Interest earned		249,551	327,877	249,542	327,873
Gain on share trading		24,670	–	24,670	–
		274,221	327,877	274,212	327,873
EXPENDITURE					
Loss on share trading		–	314,584	–	314,584
Depreciation		40,093	23,558	21,784	18,260
Exploration costs		1,015,948	–	565,448	–
Management fee		208,416	191,675	208,416	191,675
Directors' fees and services		64,253	61,496	64,253	61,496
Stock exchange fees		23,043	37,116	23,043	37,116
Occupancy costs		223,979	184,616	209,057	172,749
Option issues expensed	24	–	348,600	–	348,600
Other operating costs		183,449	181,420	67,911	125,170
Provision against loans to subsidiaries		–	–	481,017	896,840
		1,759,181	1,343,065	1,640,929	2,166,490
PROFIT/(LOSS) BEFORE INCOME TAX		(1,484,960)	(1,015,188)	(1,366,717)	(1,838,617)
Income tax	4	–	–	–	–
PROFIT/(LOSS) AFTER INCOME TAX		(1,484,960)	(1,015,188)	(1,366,717)	(1,838,617)
Attributable to:					
Minority interest		–	–	–	–
Members of the parent entity	17	(1,484,960)	(1,015,188)	(1,366,717)	(1,838,617)
Earnings per share					
		2009 Cents	2008 Cents		
Basic loss per share	18	(0.22)	(0.15)		

The accompanying notes form part of these financial statements

Balance Sheet

As at 30 June 2009

	Note	Consolidated		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
CURRENT ASSETS					
Cash and cash equivalents	7	3,899,442	4,760,455	3,895,464	4,734,541
Trade and other receivables	8	62,044	44,427	62,044	44,427
TOTAL CURRENT ASSETS		3,961,486	4,804,882	3,957,508	4,778,968
NON-CURRENT ASSETS					
Plant and equipment	9	70,599	83,220	23,502	45,286
Investments	10	300,216	275,546	300,216	275,546
Other financial assets	11	–	–	–	–
Exploration costs	12	2,408,126	2,926,337	–	446,173
TOTAL NON-CURRENT ASSETS		2,778,941	3,285,103	323,718	767,005
TOTAL ASSETS		6,740,427	8,089,985	4,281,226	5,545,973
CURRENT LIABILITIES					
Trade and other payables	13	204,353	97,658	195,170	93,200
TOTAL CURRENT LIABILITIES		204,353	97,658	195,170	93,200
TOTAL LIABILITIES		204,353	97,658	195,170	93,200
NET ASSETS		6,536,074	7,992,327	4,086,056	5,452,773
EQUITY					
Issued capital	14	22,010,523	22,010,523	22,010,523	22,010,523
Share option reserve	15	2,265,406	2,265,406	2,265,406	2,265,406
Foreign currency translation reserve		(28,597)	(57,304)	–	–
Accumulated losses	16	(17,711,258)	(16,226,298)	(20,189,873)	(18,823,156)
PARENT EQUITY INTEREST		6,536,074	7,992,327	4,086,056	5,452,773
Minority interest	17	–	–	–	–
TOTAL EQUITY		6,536,074	7,992,327	4,086,056	5,452,773

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the Year Ended 30 June 2009

	Issued Capital \$	Option Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
CONSOLIDATED ENTITY					
Balance as at 1 July 2007	22,010,523	1,916,806	–	(15,211,110)	8,716,219
Grant of options	–	348,600	–	–	348,600
Foreign currency translation reserve	–	–	(57,304)	–	(57,304)
Loss attributable to members of parent entity	–	–	–	(1,015,188)	(1,015,188)
Balance as at 30 June 2008	22,010,523	2,265,406	(57,304)	(16,226,298)	7,992,327
Foreign currency translation reserve	–	–	28,707	–	28,707
Loss attributable to members of parent entity	–	–	–	(1,484,960)	(1,484,960)
Balance as at 30 June 2009	22,010,523	2,265,406	(28,597)	(17,711,258)	6,536,074
PARENT ENTITY					
Balance as at 1 July 2007	22,010,523	1,916,806	–	(16,984,539)	6,942,790
Grant of options	–	348,600	–	–	348,600
Loss attributable to Members of parent entity	–	–	–	(1,838,617)	(1,838,617)
Balance as at 30 June 2008	22,010,523	2,265,406	–	(18,823,156)	5,452,773
Loss attributable to Members of parent entity	–	–	–	(1,366,717)	(1,366,717)
Balance as at 30 June 2009	22,010,523	2,265,406	–	(20,189,873)	4,086,056

The accompanying notes form part of these financial statements

Statement of Cash Flows

For the Year Ended 30 June 2009

	Note	Consolidated		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Cashflow from operating activities					
Payments to suppliers		(585,355)	(546,482)	(488,327)	(424,613)
Interest received		249,551	327,877	249,542	327,873
Net cash inflow/(outflow) from operating activities	19(a)	(335,804)	(218,605)	(238,785)	(96,740)
Cashflow from investing activities					
Loan to subsidiaries		–	–	(481,017)	(896,840)
Exploration		(497,737)	(1,011,418)	(119,275)	(304,683)
Proceeds from share sales		–	1,401,039	–	1,401,039
Purchase of assets		(27,472)	(54,256)	–	(11,930)
Net cash (outflow) from investing activities		(525,209)	335,365	(600,292)	187,586
Net increase (decrease) in cash and cash equivalents held		(861,013)	116,760	(839,077)	90,846
Cash and cash equivalents at the beginning of the financial year		4,760,455	4,643,695	4,734,541	4,643,695
Cash and cash equivalents at the end of the financial year	7	3,899,442	4,760,455	3,895,464	4,734,541

The accompanying notes form part of these financial statements

Notes to the Financial Statements

1. CORPORATE INFORMATION

The financial report of Metals Australia Ltd (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on thirtieth September 2009.

Metals Australia Ltd is a company incorporated 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* and Australian Accounting Standards. 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.

(b) Statement of compliance

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

(c) New accounting standards and interpretations which may impact the Company not yet adopted

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purpose of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.

AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-8: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

Notes to the Financial Statements continued

AASB 2008-1: Amendments to Australian Accounting Standards – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial Statements.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Metals Australia Ltd and its subsidiaries ('the Group').

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Metals Australia Ltd has control.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately for the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(e) 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.

(f) Foreign currency translation

Both the functional and presentation currency of Metals Australia Ltd and its Australian subsidiaries is the Australian Dollar (A\$). The functional currency of the Namibian subsidiary is the Namibian Dollar (N\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates 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 balance sheet date.

All differences in the consolidated financial report are taken to the income statement.

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.

Notes to the Financial Statements continued

As at the reporting date the assets and liabilities of any overseas subsidiaries would be translated into the presentation currency of Metals Australia Ltd at the rate of exchange ruling at the balance sheet date and the income statements are 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 income statement.

(g) 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 income statement in the period the item is derecognised.

(h) 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.

(i) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an 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 pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(j) 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 financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention 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 balance sheet 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.

(k) Exploration and Development Expenditure

Exploration, evaluation and development 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.

(l) 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.

(m) Cash and cash equivalents

Cash and short-term deposits in the balance sheet 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 Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(n) 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 income statement 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.

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

(o) 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 balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss.

(p) 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.

Notes to the Financial Statements continued

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.

(q) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet 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:

- 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 balance sheet 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 balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(r) 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 balance sheet.

Cash flows are included in the Cash Flow Statement 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.

(s) Trade and other payables

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

(t) 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.

(u) 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.

(v) Comparatives

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

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 Income Statement. 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 determines whether exploration expenditure is impaired on at least an annual basis based on historical information and best available current information. This requires an estimation of the recoverable amount as discussed in note 2 (j).

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

(a) Share-based payment transactions

The Group measures the cost of equity-settled transactions with Directors, employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes formula, with the assumptions detailed in note 6. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

The Group measure the cost of cash-settled share-based payments 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.

(b) 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.

(c) 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.

Notes to the Financial Statements continued

	Consolidated Group 2009 \$	Consolidated Group 2008 \$	Parent Entity 2009 \$	Parent Entity 2008 \$
4. Income Tax				
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit from original activities before income tax at 30%	(445,488)	(304,556)	(410,015)	(551,585)
Add:				
Tax effect of:				
Other non allowable items	169,908	109,474	169,908	590,546
Other assessable items		267,161	–	267,161
Provisions		(2,310)	–	(2,310)
Deferred tax asset not brought to account	323,999	(27,265)	240,107	(27,265)
Current year tax losses recouped		(35,068)		(269,111)
Less:				
Tax effect of:	(16,824)		(16,824)	
	9,388		9,388	
Effect of overseas tax rate	(48,419)	–	–	–
Income tax attributable to entity	–	–	–	–
Unrecognised Deferred Tax Assets				
– Tax losses: operating losses	2,492,693	2,324,633	1,591,897	1,466,705
– Temporary differences	1,196,751	–	1,197,145	–
– Temporary differences equity	10,067	94,357	10,067	1,113,732
	3,699,511	2,418,990	2,799,109	2,580,437
Unrecognised Deferred Tax Liabilities	(732,662)	(790,296)	(10,224)	(45,880)
The benefits 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.				

Notes to the Financial Statements continued

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
5. Auditor's Remuneration				
Remuneration of the auditor of the parent entity, Grant Thornton (WA) Partnership				
– auditing or reviewing the financial report	23,370	24,269	–	–
– taxation services provided by relate practice of the auditor	3,000	–	–	–
Remuneration of other auditors of subsidiaries for:				
– auditing or reviewing the financial reports of subsidiaries	8,966	5,102	–	–
	35,336	29,371	–	–

6. Remuneration of Directors

(a) Details of Key Management Personnel are:

Key Management Person	Position
H S Majteles	Non executive Director
A Clemen	Non executive Director
D Zukerman	Executive Director

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report

(b) Options and Rights Holdings

Number of Options Held by Key Management Personnel

	Balance 1 July 2008	Granted as Compensation	Options Exercised	NetChange Other
H S Majteles	2,400,000	–	–	–
A Clemen	2,400,000	–	–	–
D Zukerman	2,400,000	–	–	–
Total	7,200,000	–	–	–

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$

7. Cash and Cash Equivalents

Represented by

Cash at bank	99,442	75,374	95,464	49,460
Bank term deposits	3,800,000	4,685,081	3,800,000	4,685,081
	3,899,442	4,760,455	3,895,464	4,734,541

Notes to the Financial Statements continued

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
8. Trade and Other Receivables				
Current				
Other debtors	62,044	44,427	62,044	44,427
9. Plant and Equipment				
Plant and Equipment, at cost	136,533	107,742	65,416	65,416
Less: accumulated depreciation	(65,934)	(24,522)	(41,914)	(20,130)
	70,599	83,220	23,502	45,286
Opening written down value	83,220	52,522	45,286	51,616
Additions	27,472	54,256	–	11,930
Depreciation	(40,093)	(23,558)	(21,784)	(18,260)
Closing written down value	70,599	83,220	23,502	45,286
10. Investments				
Investments listed on prescribed Stock Exchanges (at market value)	300,216	275,546	300,216	275,546
11. Other Financial Assets				
Non-Current				
Investment in subsidiaries	–	–	350,167	350,167
Less: provision for diminution	–	–	(350,167)	(350,167)
Loans to subsidiaries	–	–	3,528,773	3,047,756
Less: provision for non-recovery	–	–	(3,528,773)	(3,047,756)
	–	–	–	–
12. Exploration Expenditure				
Opening balance	2,926,337	1,914,919	446,173	141,490
Exploration expenditure	497,737	1,011,418	119,275	304,683
Exploration expenditure written off	(1,015,948)	–	(565,448)	–
	2,408,126	2,926,337	–	446,173

The company has written off its accumulated exploration costs in Namibia as it does not presently have title to the Namibian tenements, as explained above.

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.

Notes to the Financial Statements continued

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
13. Trade and other Payables				
Current				
Payables	204,353	97,658	195,170	93,200

14. Issued Capital

There was no movement in ordinary share capital of the Company during the last two years.

Date	Details	Number of Shares	Issue Price (cents)	Amount \$
1 July 2007	Balance	669,608,765		22,010,523
30 June 2008	Balance	669,608,765		22,010,523
30 June 2009	Balance	669,608,765		22,010,523

15. Share Option Reserve

Date	Details	Number of Options	Unit Price (cents)	Amount \$
1 July 2007	Balance	130,350,000		1,916,806
20 December 2007	Grant of options to Directors	4,200,000	8.3	348,600
30 June 2009	Balance	134,550,000		2,265,406
30 June 2009	Balance	134,550,000		2,265,406

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.

Notes to the Financial Statements continued

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
16. Accumulated Losses				
Accumulated losses at the beginning of the year	(16,226,298)	(15,211,110)	(18,823,156)	(16,984,539)
Profit/(loss) for year	(1,484,960)	(1,015,188)	(1,366,717)	(1,838,617)
Accumulated losses at the end of the financial year	(17,711,258)	(16,226,298)	(20,189,873)	(18,823,156)

17. Minority Interest

Comprises:

	2009	2008		
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.

	2009 Number	2008 Number
18. Earnings per Share		
Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share	669,608,765	669,608,765
Basic profit/(loss) per share – cents		
The diluted earnings per share is the same as the basic loss per share as the Group incurred a loss for the year	(0.22)	(0.15)

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
19(a). Cashflow Information				
Operating profit/(loss) after income tax	(1,484,960)	(1,015,188)	(1,366,717)	(1,838,617)
Exploration costs	1,015,948	–	565,448	–
Revaluation of investments	(24,670)	629,668	(24,670)	629,668
Surplus on sale of shares	–	(315,084)	–	(315,084)
Depreciation of plant & equipment	40,093	22,652	21,784	18,260
Decrease/(increase) in trade and other receivables	(17,617)	135,232	(17,617)	135,232
Increase/(decrease) in trade and other payables	106,695	32,819	101,970	28,361
Non cash share-based payments	–	348,600	–	348,600
Provision for loan to subsidiaries	–	–	481,017	896,840
Foreign currency translations	28,707	(57,304)	–	–
Net cash inflow/(outflow) from operating activities	(335,804)	(218,605)	(238,785)	(96,740)

19(b). Non cash share based payments

No non cash share based payments were made during the year under review. However, during the previous year, the Company granted 4,200,000 unlisted options to Directors. The fair value of these options was calculated using the Black Scholes option pricing model, refer to Notes 6 and 24.

20. 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	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
	0.00% – 7.83%	0.00% – 7.85%				
Financial Assets						
Cash and cash equivalents	3,899,442	4,760,455	–	–	3,899,442	4,760,455
Receivables	–	–	34,082	44,427	34,082	44,427
Investments	–	–	300,216	275,546	300,216	275,546
Total Financial Assets	3,899,442	4,760,455	334,298	319,973	4,233,740	5,080,428
Financial Liabilities						
Trade and other payables	–	–	(176,392)	(97,658)	(176,392)	(97,658)
Net Financial Assets	3,899,442	4,760,455	157,906	222,315	4,057,348	4,982,770

Reconciliation of Financial Assets to Net Assets

	Consolidated	
	2009	2008
	\$	\$
Net financial assets	4,057,349	4,982,770
Exploration expenditure	2,408,126	2,926,337
Plant & equipment	70,599	83,220
	6,536,074	7,992,327

(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 balance sheet 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 1 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) 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 2009, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Change in profit				
– Increase in interest rate by 2%	77	95	77	95
– Decrease in interest rate by 2%	(77)	(95)	(77)	(95)
Change in Equity				
– Increase in interest rate by 2%	77	95	77	95
– Decrease in interest rate by 2%	(77)	(95)	(77)	(95)

Foreign Currency Risk Sensitivity Analysis

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

(f) 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 this risk through the following mechanisms:

- Preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- Obtaining funding from a variety of sources
- Maintaining a reputable credit profile
- Managing credit risk related to financial assets

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.

Notes to the Financial Statements continued

Consolidated Group + Parent Entity

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
<i>Financial Liabilities – Due for Payment</i>								
Trade and Other Payables	204,353	97,658	–	–	–	–	204,353	97,658
Total Expected Outflows	204,353	97,658	–	–	–	–	204,353	97,658
<i>Financial Assets – Cash Flows Realisable</i>								
Cash and Cash Equivalents	99,442	75,374	–	–	–	–	99,442	75,374
Bank Deposit over 3 months	3,800,000	4,685,081	–	–	–	–	3,800,000	4,685,081
Receivables	62,044	44,427	–	–	–	–	62,044	44,427
Total Expected Inflows	3,961,486	4,804,882	–	–	–	–	3,961,486	4,804,882

21. Investment in controlled entities

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding (%)		Book Value of Investment		Contribution to Consolidated Result	
			2009	2008	2009	2008	2009	2008
			%	%	%	%	%	%
Karrilea Holdings Pty Ltd	Australia	Ordinary	80	80	–	–	–	(2,099)
Metals Namibia (Pty) Ltd	Namibia	Ordinary	100	–	–	–	(599,260)	(71,312)

22. Related Parties

Subsidiaries Karrilea Holdings Pty Ltd and Metals Namibia (Pty) Ltd have been loaned \$2,787,711 (2008: \$2,644,817) and \$741,062 (2008: 402,939) respectively.

All transactions with Directors are disclosed in Note 6.

23. Segment Reporting

The company operates primarily in Western Australia and Namibia in the resources industry.

The following tables present revenue, expenditure and certain asset information regarding geographical segments for the years ended 30 June 2008 and 2009.

	Australia	Namibia	Consolidated
	A\$	A\$	A\$
Year ended 30 June 2009			
Total segment revenue	249,542	9	249,551
Expenditure	(1,135,242)	(599,269)	(1,734,511)
Profit/(loss) after income tax	(885,700)	(599,260)	(1,484,960)
Segment assets	6,689,352	51,075	6,740,427
Segment liabilities	(195,169)	(9,184)	(204,353)
	6,494,183	41,891	6,536,074
Year ended 30 June 2008			
Total segment revenue	327,873	4	327,877
Expenditure	(1,269,650)	(73,415)	(1,343,065)
Profit/(loss) after income tax	(941,777)	(73,411)	(1,015,188)
Segment assets	7,811,205	278,780	8,089,985
Segment liabilities	(93,200)	(4,458)	(97,658)
	7,718,005	274,322	7,992,327

24. Share Based Payment Plan

No options were granted to Directors during the year under review. However, during the previous year, the Company granted the following options to Directors:

4,200,000 listed options to Directors, at an exercise price of 10.5 cents each, and expiring on 31 December 2010. The options were fair-valued at 8.3 cents per option, and vested immediately at date of grant.

The fair value of the options granted has been calculated using the Black Scholes option pricing model as follows:

Weighted average exercise price	10.5 cents
Weighted average life of options	3.00 years
Underlying share price	10.0 cents
Expected volatility	125%
Risk free interest rate	6.75%

None of the above options had been exercised up to 30 June 2009.

The fair value of the options granted has been calculated using the Black Scholes option pricing model.

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

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

Notes to the Financial Statements continued

The expense recognised for Directors received during the year is shown in the table below:

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Expense arising from equity-settled share-based payment transactions for Directors:	–	348,600	–	348,600

Summary of Options Granted

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

	2009 No.	2009 WAEP (cents)	2008 No.	2008 WAEP (cents)
Outstanding at beginning of year	134,550,000	9.26	130,350,000	9.39
Granted during the year	–	-	4,200,000	8.30
Outstanding at the end of the year	134,550,000	9.26	134,550,000	9.26

The outstanding balance as at 30 June 2009 is comprised of:

- (i) 106,150,000 options over ordinary shares with an exercise price of 5 cents each, exercisable at any time up to 30 September 2009;
- (ii) 28,400,000 options over ordinary shares with an exercise price of 10.5 cents each, exercisable at any time up to 31 December 2010.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2009 is 0.51 years (2008: 1.51).

The range of exercise prices for options outstanding at the end of the year was 5 to 10.5 cents (2008: 5 to 10.5 cents).

25. 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 mining tenements. Over the next five years this amounts to \$2,290,000, as follows:

Year Ending 30 June	Amount \$
2010	458,000
2011	458,000
2012	458,000
2013	458,000
2014	458,000
	<u>2,290,000</u>

(ii) Management Agreement

The Company has an agreement with a management service company for the provision of services at \$220,000 per annum plus CPI. Charges are at commercial terms in accordance with the agreement entered into on 14 November 2007 for a five year term.

26. 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 2009.

27. Events Subsequent to Balance Date

The Directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that has significantly or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Directors' Declaration

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 12 to 35 are in accordance with the *Corporations Act 2001*:
 - (a) comply with Accounting Standards, the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Company and economic entity.
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

SIGNED in accordance with a resolution of the Directors on behalf of the Board.



D N Zukerman
DIRECTOR

Dated this thirtieth day of September 2009
Perth, Western Australia

Independent Audit Report



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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 balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial

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report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we complied with applicable 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 company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 10 of the directors' report for the year ended 30 June 2009. 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.

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Independent Audit Report continued

Auditor's opinion

In our opinion the Remuneration Report of Metals Australia Limited for the period ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants

P. Warr.

P W WARR
Partner

Perth, 30 September 2009

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Auditors' Independence Declaration



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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 2009, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants

P. Warr.

P W WARR
Partner

Perth, 30 September 2009

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 Managing Director, 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.

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 ultimately is responsible for communications with shareholders and arranging Board performance evaluation.

Corporate Manager

The Managing Director or Chief Executive Officer is responsible for running the affairs of the Company under delegated authority from the Board. In carrying out his or her responsibilities the Managing Director 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. All Directors are to have access to the Company Secretary.

Performance Evaluation

The Chairman and/or the Corporate Manager are responsible for reviewing the performance of each executive at least once every calendar year with reference to the terms of their employment contract.

Reporting

The Company, will, in the corporate governance statement section of its Annual Report, include the recommended information set out in the ASX Corporate Governance Principles in relation to the Guide to reporting on Principle 1.

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.

The Company 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.

Chairman

The Chairman should be a non-executive director who is independent. The Chairman 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 their role of Chairman of the Company.

Independent decision – making

All Directors – whether independent or not – should bring an independent judgement 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 the deputy Chairman. Non-executive Directors should inform the Chairman before accepting any new appointments as Directors.

Independent advice

To facilitate independent decision the consent of the Chairman, individual Directors may seek independent professional 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 are involved in the search and recruitment of a replacement. The Board believes corporate performance is enhanced when the Board has an appropriate mix of skills and experience.

Corporate Governance Statement continued

Induction and education

The Board will implement an induction program 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.

Reporting

The Company, will, in the corporate governance statement section of its Annual Report, include the recommended information set out in the ASX Corporate Governance Principles in relation to the Guide to reporting on Principle 2.

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 the values of honesty, integrity, enterprise, excellence, accountability, justice, independence and equality of stakeholder opportunity. The Board and any committees it convenes from time to time may seek advice from independent experts whenever it is considered appropriate.

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.

Reporting

The Company, will, in the corporate governance statement section of its Annual Report, include the recommended information set out in the ASX Corporate Governance Principles in relation to the Guide to reporting on Principle 3.

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 Committee structure to be inefficient. All Directors share responsibility for ensuring the integrity of the Company's financial reporting and appropriate Board processes must be implemented to perform the following audit and risk management functions:

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

Reporting

The Company, will, in the corporate governance statement section of its Annual Report, include the recommended information set out in the ASX Corporate Governance Principles in relation to the Guide to reporting on Principle 4.

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 C.

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:

- (a) are released in a timely manner;
- (b) are factual;
- (c) do not omit material information; and
- (d) are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Reporting

The Company, will, in the corporate governance statement section of its Annual Report, include the recommended information set out in the ASX Corporate Governance Principles in relation to the Guide to reporting on Principle 5.

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 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:

- (a) placing the full text of notices of meeting and explanatory material on the website;
- (b) providing information about the last two years' press releases or announcements plus at least three years of financial data on the website.

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.

Reporting

The Company, will, in the corporate governance statement section of its Annual Report, include the recommended information set out in the ASX Corporate Governance Principles in relation to the Guide to reporting on Principle 6.

Principle 7: Recognise and manage risk

Creation and implementation of Company risk management policies

It is the responsibility of [insert appropriate person by job title] 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 annually 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.

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 Chief Executive Officer and Chief Financial Officer (or equivalent) 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:

- (a) 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
- (b) 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.

Reporting

The Company, will, in the corporate governance statement section of its Annual Report, include the recommended information set out in the ASX Corporate Governance Principles in relation to the Guide to reporting on Principle 7.

Principle 8: Remunerate fairly and responsibly

Director and senior executive remuneration policies

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

- (a) motivating senior executives to pursue the long-term growth and success of the Company; and
- (b) 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:

- (a) attracting and retaining senior executives and Directors; and
- (b) not paying excessive remuneration.

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

Executive Directors' and senior executives' remuneration packages should 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 should be formulated with regard to the following guidelines:

- (a) non-executive Directors should normally be 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;
- (b) non-executive Directors should not be provided with retirement benefits other than superannuation.

No Director may be involved in setting their own remuneration or terms and conditions and in such a case relevant directors are required to be absent 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 which would otherwise be considered by a committee.

Reporting

The Company, will, in the corporate governance statement section of its Annual Report, include the recommended information set out in the ASX Corporate Governance Principles in relation to the Guide to reporting on Principle 8.

Appendix A – Code of Conduct

Introduction

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

Responsibilities to shareholders

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

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

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

Employment practices

- 4 The Company will employ the best available staff with 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

- 5 The Company will recognise, consider and respect environmental, native title and cultural heritage issues which arise in relation to the Company's activities and comply with all applicable legal requirements.

Responsibility to the individual

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

Obligations relative to fair trading and dealing

- 7 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

- 8 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

- 9 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 interest of the Company. Where a real or apparent conflict of interest arises, the matter must be brought to the attention of the Chairperson in the case of a Board member, the Managing Director or Chief Executive Officer (or equivalent) 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

- 10 Any breach of compliance with this Code of Conduct is to be reported directly to the Chairperson.

Periodic review of Code

- 11 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 Chairperson.

Appendix B – Policy for trading in Company securities

Introduction

- 1 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, senior executives, employees and consultants (**Relevant Persons**).

Communication

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

Trading Restrictions

- 3 Trading by Relevant Persons in the Company's securities is subject to the following limitations:
 - 3.1 No trading in Company securities shall take place during the seven preceding release of each quarterly report, half-yearly financial report, and annual financial report of the Company.
 - 3.2 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 that has not been released to the ASX and where that information is of a type that reasonably could be expected to encourage buying or selling were that information known by others.
 - 3.3 No trading shall take place in Company securities unless prior notice is given to the Chairman and approval is obtained from him.

Hardship

- 4 During a period specified in paragraph 3.1, Relevant Persons may, after obtaining the Chairperson'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

- 5 Within one day 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.
- 6 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

- 1 The Company recognises its duties pursuant to the continuous disclosure rules of the ASX Listing Rules and 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.
- 2 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

- 3 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.
- 4 Every director, officer and employee of the Company is to be informed of the requirements of this policy and must advise the Managing Director, Chief Executive Officer (or equivalent), Chairperson 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

- 5 The Board has delegated its primary responsibilities to communicate with ASX to the following Authorised Disclosure Officer:
 - 5.1 the Company Secretary or
 - 5.2 in the absence of the Company Secretary, a designated Executive Director, who is authorised to act in that capacity by the Board.

Responsibilities of Authorised Disclosure Officer

- 6 Subject to Board intervention on a particular matter, the Authorised Disclosure Officer is responsible for the following:
 - 6.1 monitoring information required to be disclosed to ASX and coordinating the Company's compliance with its disclosure obligations;
 - 6.2 ASX communication on behalf of the Company, authorising Company announcements and lodging documents with ASX;
 - 6.3 requesting a trading halt in order to prevent or correct a false market;
 - 6.4 providing education on these disclosure policies to the Company's directors, officers and employees; and
 - 6.5 ensuring there are vetting and authorisation processes designed to ensure that Company announcements:
 - 6.5.1 are made in a timely manner;
 - 6.5.2 are factual;
 - 6.5.3 do not omit material information;
 - 6.5.4 are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.
- 7 An Authorised Disclosure Officer must be available to communicate with the ASX at all reasonable times, and are responsible for providing contact details and other information to ASX to ensure such availability.

Measures to avoid a false market

- 8 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.
- 9 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.
- 10 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

- 11 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:
- 11.1 The Authorised Disclosure Officer must prepare ASX announcements when required to fulfil the Company's disclosure obligations.
- 11.2 Proposed announcements must be approved by the Chairman or in his absence, urgent announcements may be approved by the person expressly authorised by the Board.
- 11.3 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.
- 11.4 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

- 12 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

- 13 The Chairman, Company Secretary and such other person approved by the Board 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, Company Secretary or such other approved person.
- 14 All requests for information from the Company must be referred to the Authorised Disclosure Officer for provision to the Chairperson and Managing Director or Chief Executive Officer (or equivalent).

Breach of Disclosure Policy

- 15 Serious breaches of this disclosure policy may be treated with disciplinary action, including dismissal, at the discretion of the Board.
- 16 Where the breach is alleged against a member of the Board, that director will be excluded from the Board's consideration of the breach and any disciplinary action for the Company to take.

Board Structure

Name of Director	Appointed	Executive	Non-Executive	Independent	Seeking re-election at 2009 AGM
H S Majteles – Chairman	1987	No	Yes	Yes	No
A Clemen	1987	No	Yes	Yes	No
D Zukerman	2005	Yes	No	No	Yes

Shareholder Information

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

1. SHAREHOLDING

(a) Distribution of Shareholders

(a) As at 25 September 2009 the distribution of members and their shareholdings were:-

Range of Holding	Holders	Shares Held	Percent
1 – 1,000	81	58,141	0.01
1,001 – 5,000	291	1,018,253	0.15
5,001 – 10,000	467	4,023,506	0.60
10,001 – 100,000	2,016	94,404,214	14.10
100,001 and over	920	570,104,651	85.14
	3,775	669,608,765	100.00

(b) There exist 1,720 shareholders with unmarketable parcels of shares.

(c) The twenty largest shareholders as at 25 September 2009 which represents 30.05% of the paid up capital were as follows:

Name of Holder	Number	%
ANZ Nominees Limited (Cash Income Account)	37,712,028	5.63
Pan Pacific Mining Pty Ltd	35,000,000	5.23
I-CAN Limited	17,000,000	2.54
Doyle Family Superannuation Fund	16,015,668	2.39
Pio Services Limited	15,057,000	2.25
L C Asia Limited	12,720,000	1.90
Alban Hasslinger	10,450,000	1.56
Boulevade Investments Pty Ltd	10,000,000	1.49
Citicorp Nominees Pty Ltd	5,844,600	0.87
Philip Hamlyn	5,620,911	0.84
HSBC Custody Nominees (Australia) Pty Ltd	5,013,900	0.75
Miljenko, Iva & Frank Zuvella	5,000,000	0.75
Raymond Shimizu	4,110,000	0.61
Jarra Glen Pty Ltd	4,000,000	0.60
Allen Tapp & Maria Polymeneas	3,500,000	0.52
Romadak Pty Ltd	3,150,000	0.47
Simon Nominees Pty Ltd	2,950,000	0.44
South Banc Group Pty Ltd	2,750,000	0.41
Victor & Yvonne Finch <Finch Family Super Fund A/c>	2,700,194	0.40
Evangelos Kalafatas	2,609,195	0.39
	201,203,496	30.05

(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
Pan Pacific Mining Pty Ltd together with group member Caconda Pty Ltd	36,500,000	5.45%

2. Distribution of Optionholders

- (a) As at 25 September 2009 the distribution of optionholders for options with an exercise price of 5 cents, and which expire on 30 September 2009 were:-

<u>Range of Holding</u>	<u>Holders</u>	<u>Options Held</u>	<u>Percent</u>
1 – 1,000	0	0	0.00
1,001 – 5,000	2	8,000	0.01
5,001 – 10,000	10	92,700	0.09
10,001 – 100,000	81	4,399,981	4.15
100,001 and over	106	101,649,319	95.75
	199	106,150,000	100.00

- (b) These options have now ceased trading because of their impending expiry.
- (c) The twenty largest optionholders in this class, as at 25 September 2009, which represents 59.90% of this class of options, were as follows:

<u>Name of Holder</u>	<u>Number</u>	<u>%</u>
Frank Brewer	13,252,000	12.48
Ross Langdon & Linda Alison Divett	8,300,000	7.82
Yarraandoo Pty Ltd (Yarraandoo Super Fund A/c)	7,340,058	6.91
Agricultural Solutions Consultancy Pty Ltd	4,232,209	3.99
Doyle Family Superannuation Fund	3,630,522	3.42
Elmasri Investments Pty Ltd (Super Fund A/c)	3,362,000	3.17
David O'Meara	3,019,777	2.84
FNQ Wealth Creation	2,100,000	1.98
Geoffrey Orr	2,067,585	1.95
Stanley Paulo	2,000,000	1.88
Salvatore Danze	1,990,000	1.87
Judith Melva Sullivan	1,854,724	1.75
Chelain Pty Ltd	1,550,000	1.46
Sydney Nossiter	1,500,000	1.41
M & K Korkidas Pty Ltd	1,400,000	1.32
Kamal Matta	1,281,177	1.21
Sharon Lewis	1,240,000	1.17
Joe Amalfi	1,190,200	1.12
Gerald Michael Statham	1,140,000	1.07
Madora View Pty Ltd <Thomas Family Super Fund >	1,136,364	1.07
	63,586,616	59.90

- (d) In addition, a further class comprising 28,400,000 unlisted options was created, having an exercise price of 10.5 cents, and which expire on 31 December 2010.

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