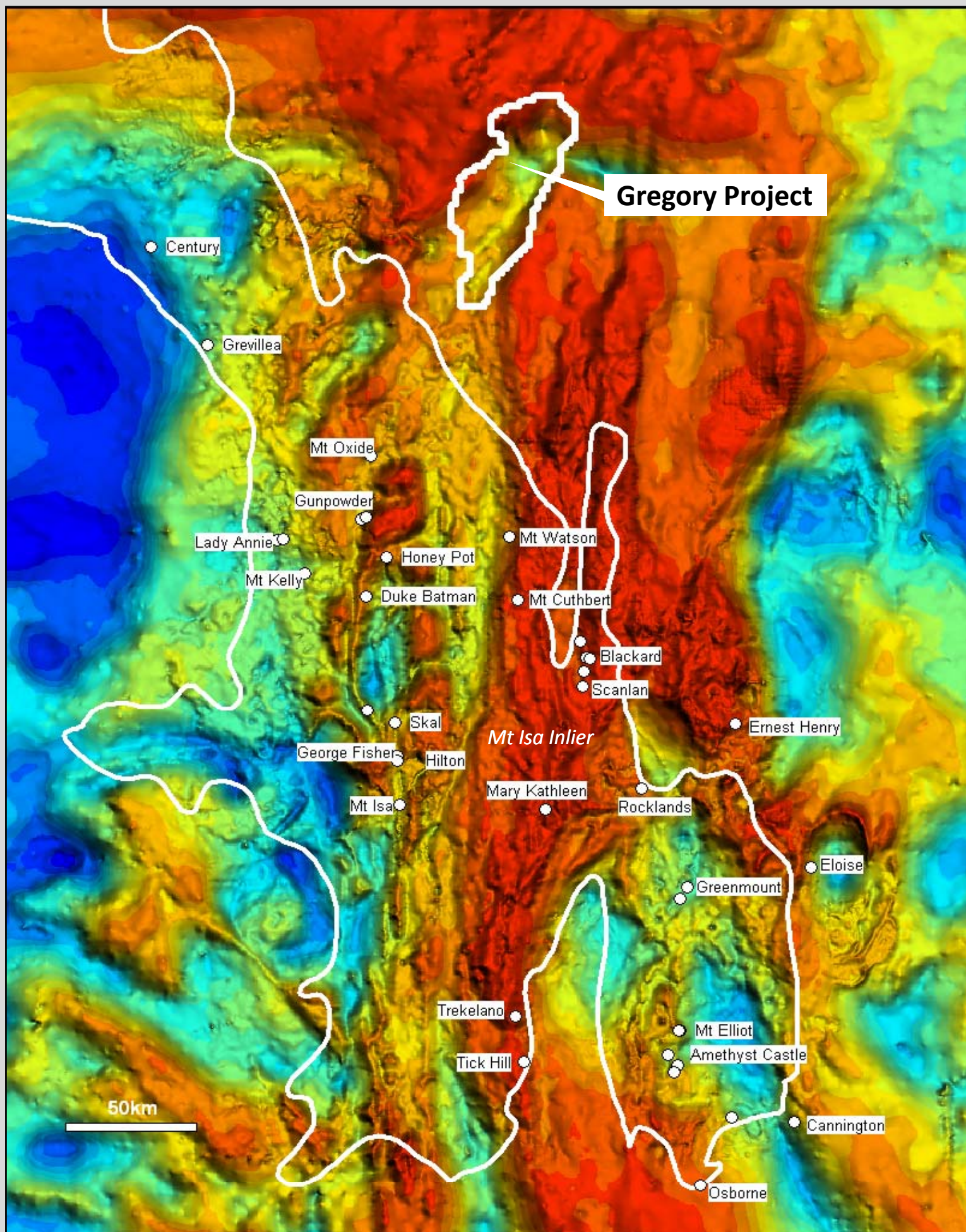


MT ISA METALS 2009 ANNUAL REPORT
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MT ISA METALS **ANNUAL REPORT 2009**



Mt Isa **Metals**



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Corporate Information

DIRECTORS

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Peter Spiers
Nicholas Mather
Michele Muscillo

COMPANY SECRETARY

Duncan Cornish

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STOCK EXCHANGE LISTING

Australian Stock Exchange Ltd
ASX Code: MET

INTERNET ADDRESS

www.mtisametals.com.au

AUSTRALIAN BUSINESS NUMBER

ABN 59 120 212 017

Chairman's Letter to Shareholders

Dear shareholder

I am pleased to write to you in this first year of activity of your new company.

We undertook a successful initial public offering late last year and subsequently listed on the Australian Securities Exchange. Progress has been very good, despite challenging external circumstances.

We recruited a team of skilled explorationists and established a regional exploration office in Mount Isa. Fieldwork ranging from basic reconnaissance through to drilling and geophysics has been successfully carried out across the company's range of quality tenements in the Mount Isa region.

Shareholders will be well aware that the global financial crisis hit shortly after we listed and had, and in fact continues to have, a major impact on the resources industry affecting companies both large and small. Your company recognised the need to be cautious with its funds while still pushing ahead with the essential exploration work. As a result we have retained a significant proportion of the funds raised in the IPO to be applied to our future exploration programs.

The company philosophy is to spend dollars in the ground rather than on overheads. We are fortunate to have access to shared office space and corporate services which is an efficient and low-cost facility. Even our annual report, as you will have noticed, is designed to get the essential messages through to shareholders but without the glamorous and expensive "glossy cover" approach.

One of the company's key assets is of course our team of people. Exploration fieldwork can be tough, particularly in the Australian outback environment. This year we had an exceptional wet season in North Queensland and, while it had some impact on our progress, our staff managed to still achieve targets. We thank them for their efforts and professional approach.

One of the key roles of the Board and management is to continuously assess the strategy and direction of the company. Larger resource companies can often succeed through the sheer weight of exploration expenditure and the cash flow from their long-term assets. Smaller resource companies must play to their strengths of being nimble and able to move quickly.

We have reviewed our ongoing exploration activities in the light of the market outlook for various commodities and determined that we will focus our future exploration programs on two core commodities – copper and gold. We already have an exciting portfolio of copper-gold projects in the Mt Isa region. The company is actively engaged in development of a portfolio of additional gold prospects reflecting the company's vision for the future.

As we advance into the new financial year we anticipate a significant increase in the level of drilling activity in the Mt Isa region. Exploration drill programs have already been scheduled to commence on both our Gregory and Leichardt Project areas.

We thank you to your support this year and we look forward to an exciting next 12 months.

Yours sincerely,

John Bovard
Chairman

Review of Operations

Highlights

Significant achievements made by MET during the year included:

- Completion of a \$7m IPO and listing on the Australian Securities Exchange (ASX).
- Establishment of an exploration base / regional office in Mt Isa and recruitment of a skilled exploration team.
- Completion of a major ground gravity survey at the Gregory Project (in excess of 5,000 survey stations) – geophysical modelling identified multiple drill targets.
- MET was successful in securing a grant of \$150,000 from the Queensland Department of Mines and Energy under the Collaborative Drilling Initiative. The grant is to go towards 50% of the cost of the initial two diamond drill holes at the Gregory Project.
- Exploration drilling at the Barbara Copper Prospect (MET 49%) identified a significant zone of near-surface sulphide copper mineralisation. Following up drilling commenced in the first quarter of FY10.
- Reconnaissance exploration activities including mapping, soil, rock and stream sediment sampling and scintillometer traverses, commenced across additional project areas in the Mt Isa region.
- Additional tenements applications were lodged to consolidate the Company's considerable ground position in the Mt Isa region (~5,000km² excluding competitive applications).

In summary the Company has made significant progress across its key exploration projects during the year. MET retains a healthy cash balance (\$5.1m at year end) to be directed towards its future exploration programs in what is emerging as a significantly more positive market environment.

Subsequent to the year end the company formally withdrew from the D-Tree phosphate joint venture. MET retains a \$0.50/t royalty over any future production from the former joint venture area.



IPO / ASX Listing

Early in the year MET successfully completed an Initial Public Offering (IPO) to raise \$7 million from the issue of 35 million shares at 20 cents each. Despite the difficult market conditions there was very strong investor interest in the IPO in particular in the company's exploration projects in the Mt Isa region. The IPO was oversubscribed.

Mt Isa Metals Limited (ASX: MET) was admitted to the Official List of the Australian Securities Exchange on 20 August 2008. Trading commenced on 22 August 2008.

Corporate Strategy

The prime objective of the Company is to create shareholder value through participation in the discovery and development of mineral deposits.

The Board remains of the view that the company is best placed to realise this objective by:

- continuing to explore in world-class mineral provinces (ie: those with a proven mineral endowment); and
- seeking some form of 'first mover' advantage (primarily by exploring in areas that have received minimal prior effective exploration).

Consistent with the strategy outlined above the Company focussed its exploration activities during the year within the world-class Mt Isa Mineral Province of north-west Queensland. The province is noted for a number of significant base metal and precious metal deposits.

The Company has recently announced that it intends to focus the majority of its future exploration efforts on two core commodities **copper** and **gold**.

Looking forward the company will seek to broaden its portfolio and is actively engaged in seeking to establish a portfolio of gold projects, also within a recognised world-class mineral province.

Project Areas

The Company controls a substantial portfolio of exploration tenements and tenement applications focussed on the world-class Mt Isa region of north-west Queensland. The Board considers that the tenements are highly prospective for the discovery of a variety of economically important deposit types including:

- iron oxide copper-gold (IOCG) deposits
- sediment hosted (Mt Isa style) copper deposits
- sediment hosted (Mt Isa style) silver lead zinc deposits
- skarn and vein breccia uranium deposits

Exploration targets within the portfolio range from areas where no previous exploration has been conducted, so called "greenfield" targets, through to areas where prior exploration has identified substantial anomalies which remain to be fully assessed.

During the year the company established a fully equipped exploration base in Mt Isa and recruited a skilled exploration team. Key project geological staff are resident in Mt Isa.

The Company continues to hold a 100% interest in the vast majority of its exploration tenements and tenement applications providing shareholders with full exposure to any future mineral discoveries. In addition, the Company holds a 49% interest in two tenements under the West Leichardt Joint Venture which include the recently discovered Barbara sulphide copper deposit.

The Company's tenements are grouped into discrete project areas, the location and target commodities for each are summarised in Figure 1 and Table 1.

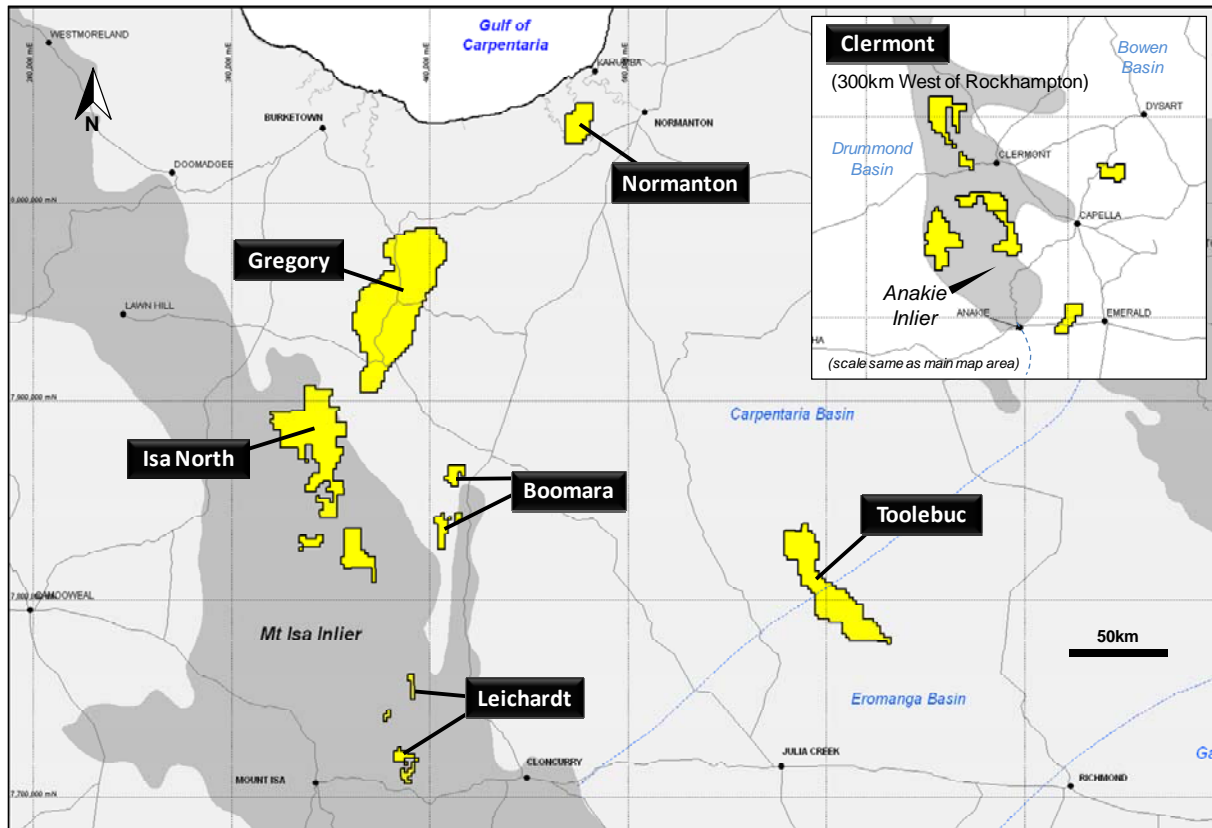


Figure 1 – Location of MET projects and tenements (excludes competitive tenement applications).

Project	Tenement Area	Target Commodities
Gregory	2,055km ²	Iron-oxide copper gold
Leichardt	132km ²	Copper, gold, uranium
Normanton	232km ²	Iron-oxide copper gold
Isa North	1,440km ²	Copper, zinc, uranium, gold
Boomara	175km ²	Iron-oxide copper gold
Reconnaissance -Toolebuc -Clermont	2,044km ²	Early-stage projects - molybdenum, vanadium and poly-metallic deposits.
Total	6,078km²	

Table 1: Summary of project areas (excludes competitive tenement applications).



Gregory Project

The Gregory Project is located 240km north of Mt Isa and comprises 2,055km² of granted 100%-owned tenements (figure 1).

Exploration within the Gregory Project is targeting iron-oxide copper gold (IOCG) deposits. The deposit class includes giant orebodies such as the Olympic Dam deposit in South Australia.

The Mt Isa Mineral Province is recognised as one of the world's most significant IOCG provinces. Numerous IOCG discoveries have been made in the Mt Isa region in recent years. Despite its proximity to Mt Isa the Gregory Project has only received one recorded exploration drill hole to basement in the entire project area.

The surface topography within the Gregory area is very flat and the target basement rocks are covered by a variable thickness of younger sedimentary rocks, for this reason geophysical surveys are an important exploration tool at Gregory (refer figure 2).



Figure 2: Gregory landscape (inset - gravity survey base station).

During the year MET completed a detailed gravity survey across the entire Gregory project area on a 1,000m x 500m grid for a total 5,500 survey points. Selected high priority areas were in-filled to a 'tighter' 250m x 250m grid.

The survey provided a major improvement in the resolution of the gravity image of the target basement rocks and numerous discrete gravity anomalies were identified. These anomalies may indicate the presence of 'dense' iron oxide (hematite or magnetite) accumulations typically associated with IOCG deposits (figure 3).

Modelling of the new gravity data in conjunction with high resolution public domain magnetic data was completed during the year and multiple drill targets were identified. These targets include magnetic only anomalies, gravity only anomalies and combined magnetic plus gravity targets.

Two geophysical anomalies were selected for the initial drilling program at Gregory scheduled to commence during the 2009 field season:

- Augustus #2 target
- Neumayer #1 target

The **Augustus #2** target, located in the centre of the project area, is defined by a significant bulls-eye residual gravity anomaly that extends over a strike length of approximately 5km. The Augustus #2 target also includes a distinct magnetic low 'surrounding' the gravity peak. This may represent destruction of an early magnetic (magnetite-rich) phase by a later stage non-magnetic (hematite-rich) alteration. Multi-stage alteration is typical of IOCG deposits (figure 4).

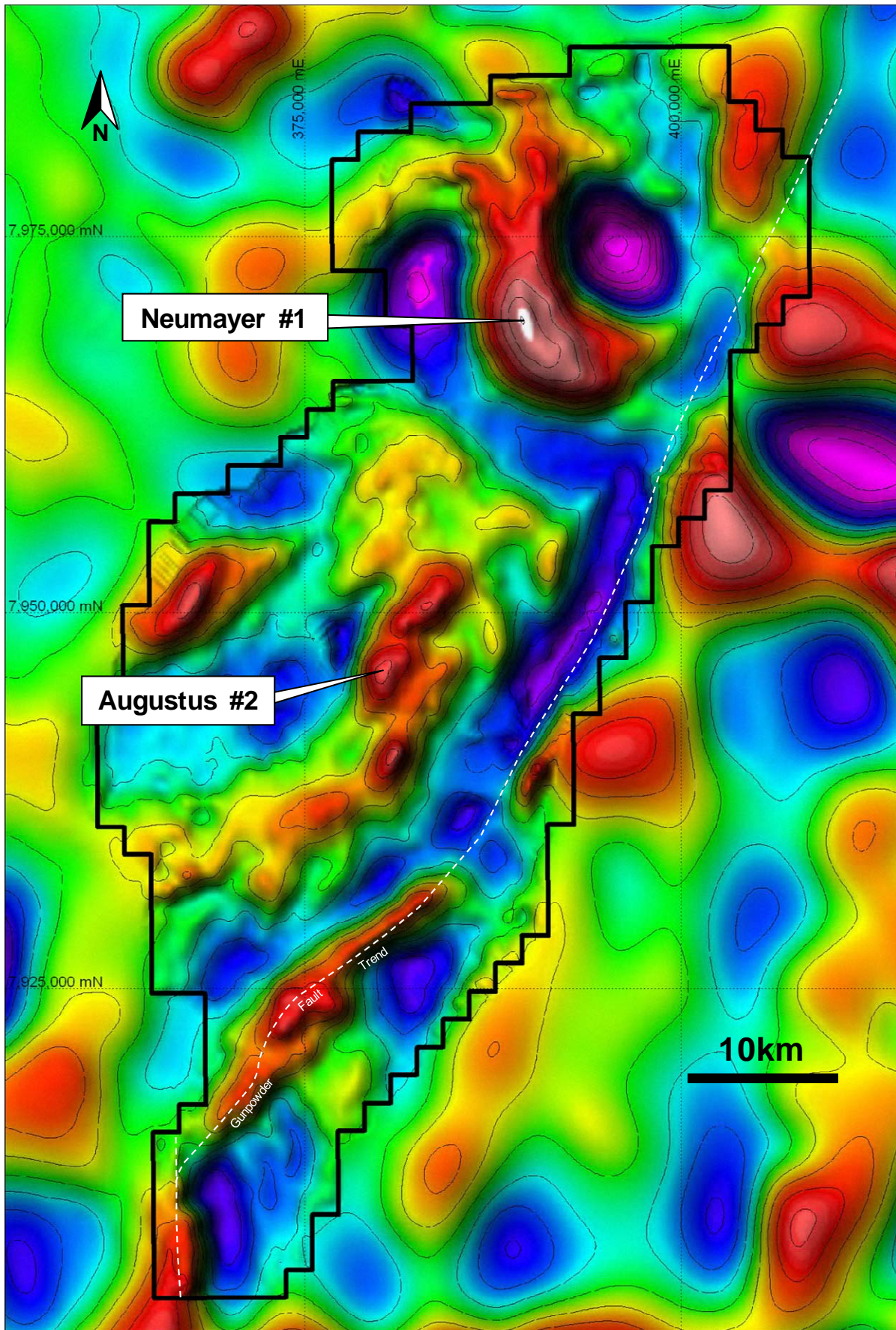


Figure 3 – Gregory Project – Residual gravity image (20km band pass filter, 1Mgal contour interval).

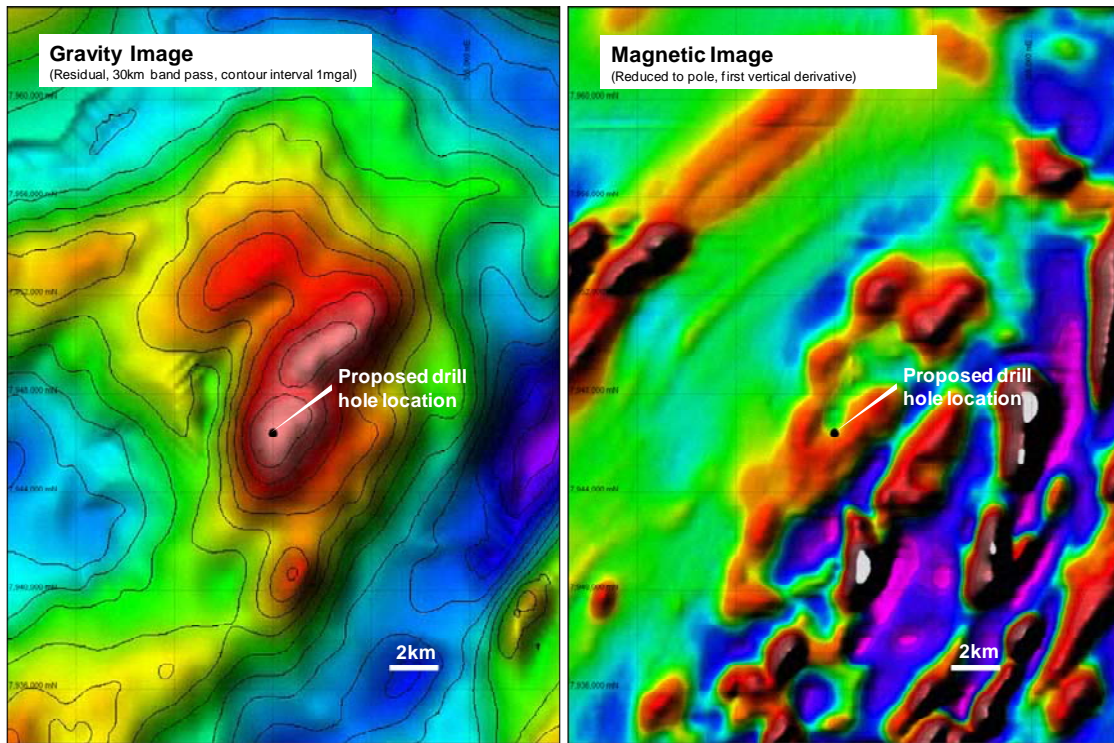


Figure 4: Augustus #2 Target – Geophysical images.

The **Neumayer #1** target is located in the northern end of the project area. The target lies within a major cross cutting (NW-SE trending) structural corridor that is evident in regional scale geophysical data.

Drilling at Neumayer #1 will target co-incident gravity and magnetic peaks that are interpreted to be flanked by two discrete granitic intrusive bodies readily apparent in the gravity data (figure 5).

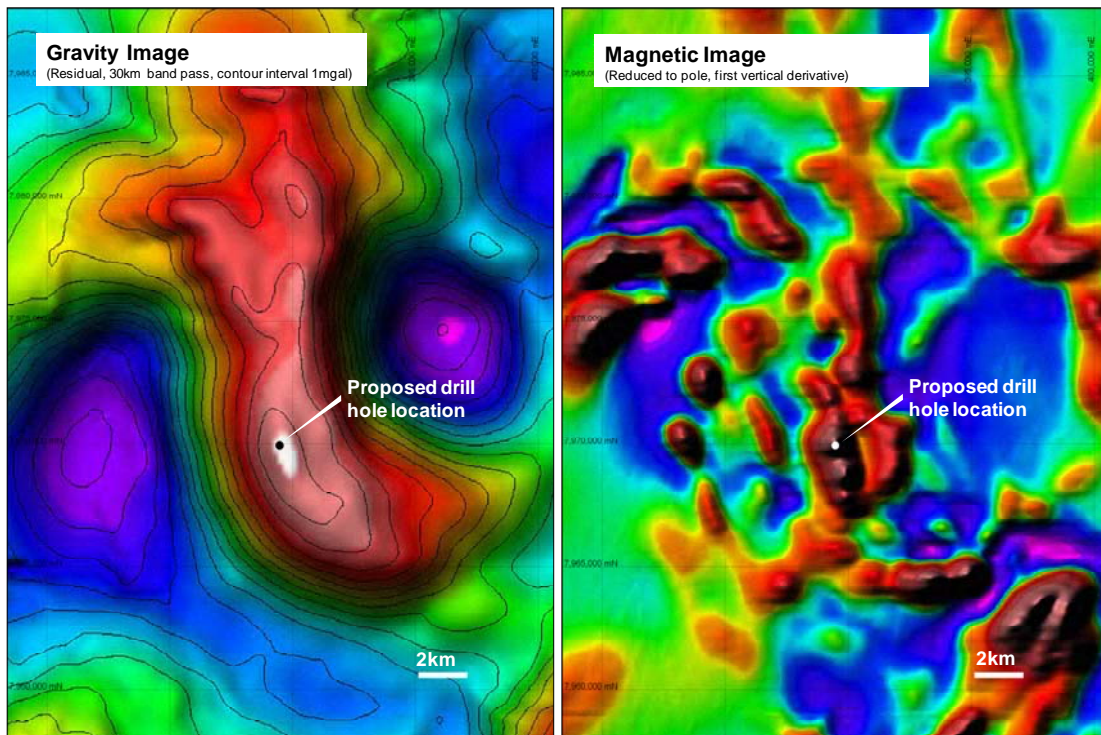


Figure 5: Neumayer #1 Target – Geophysical images.

MET completed additional orientation-type targeting studies over the Gregory Project during the year including reconnaissance induced polarisation geophysical profiles and mobile metal ion soil geochemical sampling. Given the depth of cover predicted in the area the results obtained were generally inconclusive.

During the year MET was successful in securing a grant of \$150,000 from the Queensland Department of Mines and Energy under Round 3 of the Collaborative Drilling Initiative (CDI). The CDI funding will go towards meeting 50% of the cost of two deep diamond drill holes within the Gregory Project area.

The exploration activities completed at Gregory during the year support MET's interpretation of a geologically and structurally complex basement that will require a considerable number of drill holes to fully assess the potential of the project area. Information gained from the initial drilling program at Gregory will be used to refine the drill target models across the balance of the project area.

Leichardt Project

The Leichardt Project is located 50km to the north-east of Mt Isa and comprises a total tenement area of 132km² (figure 1).

The project comprises five wholly owned tenements and tenement applications and two tenements that are subject to the West Leichardt Joint Venture agreement with Syndicated Metals Limited (the Barbara and Blockade tenements). During the year MET maintained its 49% interest in the joint venture by continuing to fund its share of joint venture costs.

The Leichardt Project is considered prospective for shear-hosted copper deposits and Mary Kathleen style uranium deposits. The project tenements lie wholly within the Mt Isa Inlier where the target Proterozoic-age rocks either outcrop or are subject to a relatively thin layer of sedimentary cover. Regional prospecting activity has been widespread and numerous abandoned small scale copper workings have been identified within the broader project area.

Exploration activity during the year focussed on the Barbara Copper Prospect within EPM 16112. The Barbara Prospect is defined at surface by a pronounced copper gossan and several shallow historical workings that extend over a strike length of approximately 600 metres within the JV tenement (figure 6).

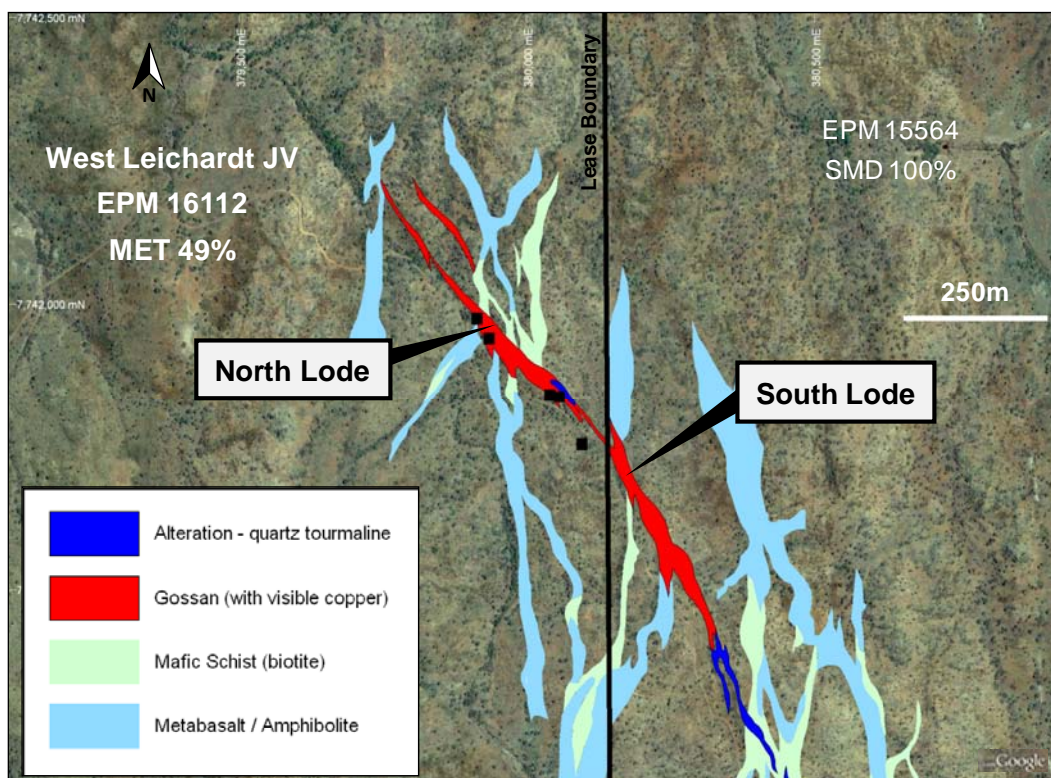


Figure 6: Plan view of Barbara shear zone showing location of North Lode and South Lode.

During the year surface mapping and a ground-based fixed loop transient electromagnetic (TEM) survey were completed by the JV partners at the Barbara Prospect. The survey comprised 17 x 100m spaced lines for a total 590 station points.

The TEM survey was designed to test for near surface accumulations of high grade copper and was successful in identifying a significant conductor beneath the main 'North Lode' gossan at a depth of approximately 250 metres from surface (figure 7).

First pass diamond and reverse circulation drilling of the Barbara shear zone commenced late in the year and continued into FY10. The drilling generated positive results with sulphide copper intersections recorded in a number of drill holes in both the North Lode and South Lode mineralised zones (figure 7).

Intersections reported from the North Lode (based on assays received subsequent to year end) included:

- 5m @ 2.16% Cu from 43m (in BARC18)
- 8m @ 3.74% Cu and 0.27g/t Au from 32m (in BARC19)

The sulphide copper mineralisation intersected by the North Lode drilling is situated less than 100m from the surface making it potentially amenable to development by an open pit mining operation.

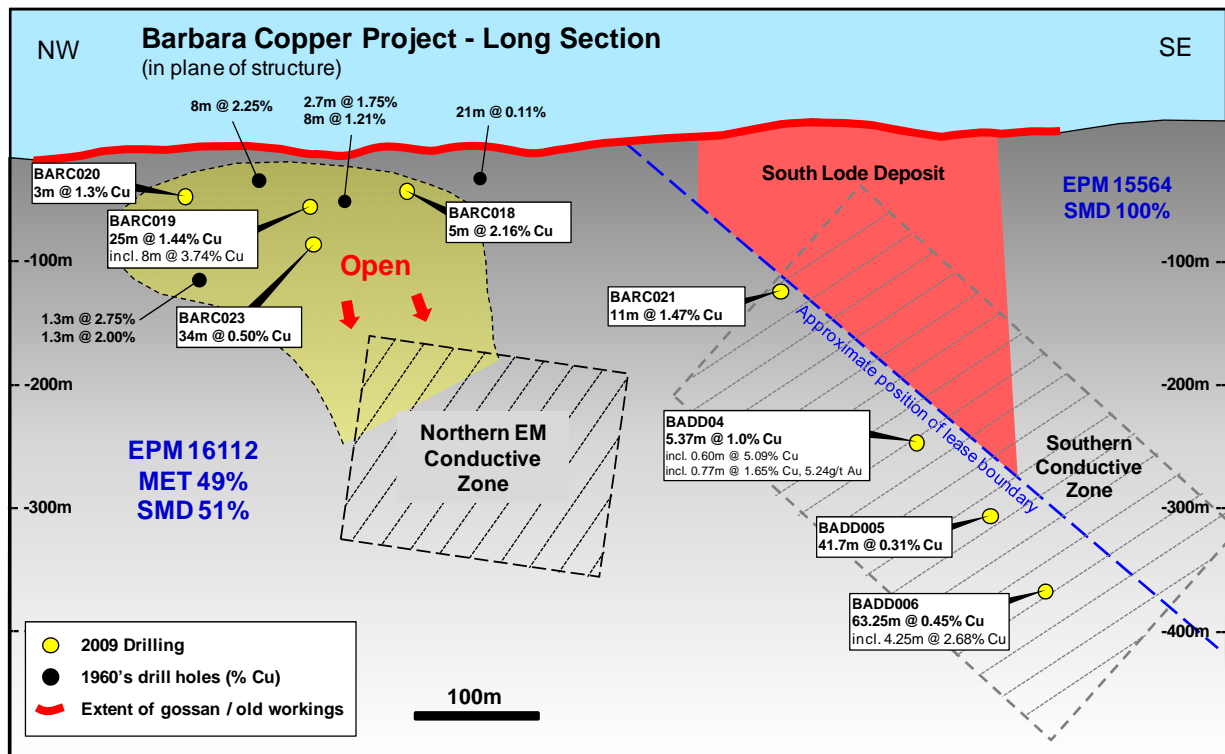


Figure 7: Barbara Long Section.

Deeper drilling below the **South Lode** (also completed during the year) intersected significant widths of stringer, massive and semi-massive sulphides (mostly pyrrhotite) with local higher grade (+1% copper) intervals (figure 8).

Significant intercepts received for the South Lode included:

- 5.37m @ 1.00% Cu and 0.81g/t Au from 278.23m (in BADD004)
- 4.25m @ 2.68% Cu and 0.26g/t Au from 363.75m (in BADD006)
- 11.0m @ 1.47% Cu and 0.15g/t Au from 127m (in BARC021)

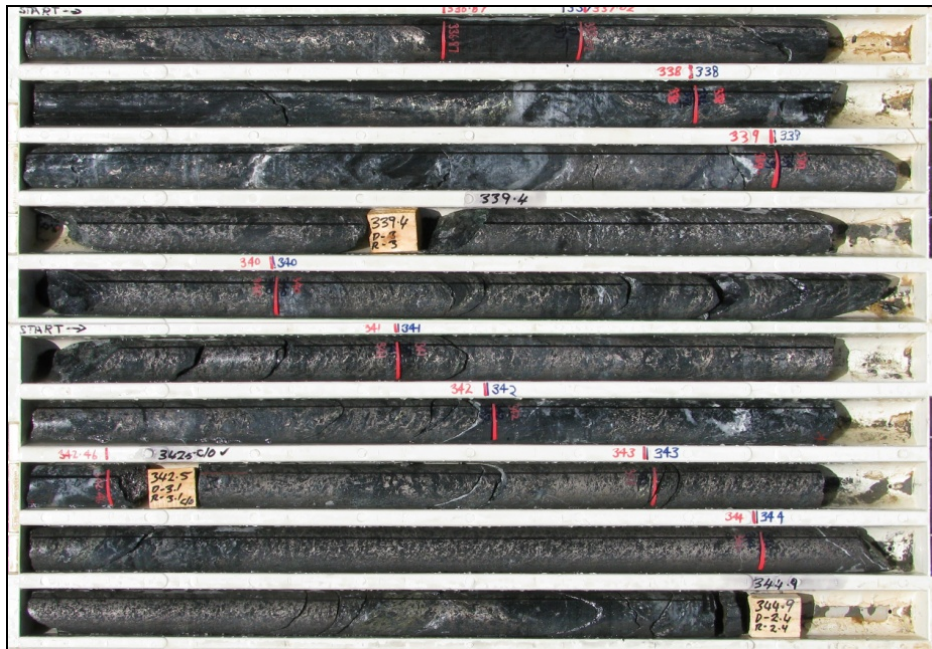


Figure 8: Drill hole BADD005 - Pyrrhotite (iron-sulphide) rich zone.

MET is very encouraged by the results received to date at Barbara. Further drilling will be completed on the prospect during FY10.

During the year MET lodged additional applications for 100%-owned exploration tenements within the greater Leichardt Project area. The applications, if successful, will further consolidate the company's land position in this district which is noted for a high level of copper and uranium anomalism.

Normanton Project

The Normanton Project is located 400km NE of Mt Isa and comprises a single 100%-owned 213km² tenement (figure 1). The project is considered prospective for IOCG style mineralisation on the basis of discrete magnetic and gravity anomalies in basement rocks.

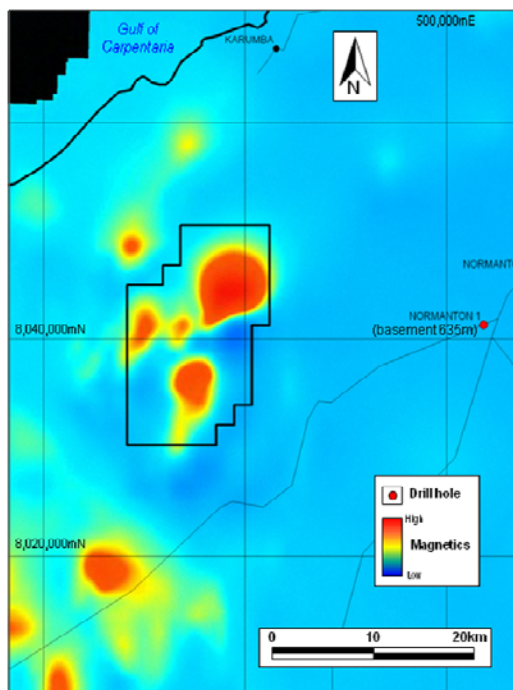


Figure 9: Normanton Project magnetic anomaly.

In December 2008 the Queensland Department of Mines and Energy completed and released the Westmorland and Normanton regional gravity survey at the southern end of the Gulf of Carpentaria which included the Normanton project area.

Modelling of the geophysical data by MET has indicated a significant depth to basement (well in excess of 1,000 metres) in the vicinity of the Normanton magnetic anomaly.

MET considers that the Normanton geophysical anomalies represent a credible drilling target particularly given that basement is interpreted as an extension of the Mt Isa Eastern Succession lithologies (the Eastern Succession is host to a large number of IOCG deposits in the broader Mt Isa region).

Given the depth to basement, MET elected to defer drilling at Normanton during 2009 to initially focus exploration efforts on "shallower" IOCG targets within the project portfolio.

Isa North Project

The Isa North Project is located 150km north north-west of Mt Isa and comprises 1,440km² of 100% owned tenements and tenement applications (figure 1). The project tenements predominantly overlie the projected northern extension of the Mt Isa-Gunpowder Fault Zone, and associated Western Fold Belt rocks.

The 'Gunpowder' Fault system is regionally associated with a number of significant metal deposits and hence the Isa North project area is considered prospective for Mt Isa style copper deposits, sediment-hosted zinc deposits, and uranium mineralisation.



Figure 10: Johnnies' Prospect - Copper in rock samples.

The Isa North Project area was a key focus for MET geological fieldwork during the latter half of the year. Field programs included geological mapping and the implementation of soil, rock and stream sediment sampling programs.

Assay results were awaited and synthesis of this work was ongoing at year end.

Encouraging exploration results were received from a number of prospect areas at Isa North including visible secondary copper mineralisation in surface rock samples from the Johnnies Prospect (figure 10) and elevated scintillometer counts in a potential granitic uranium source rock at the Mt Fox Prospect (figure 11).

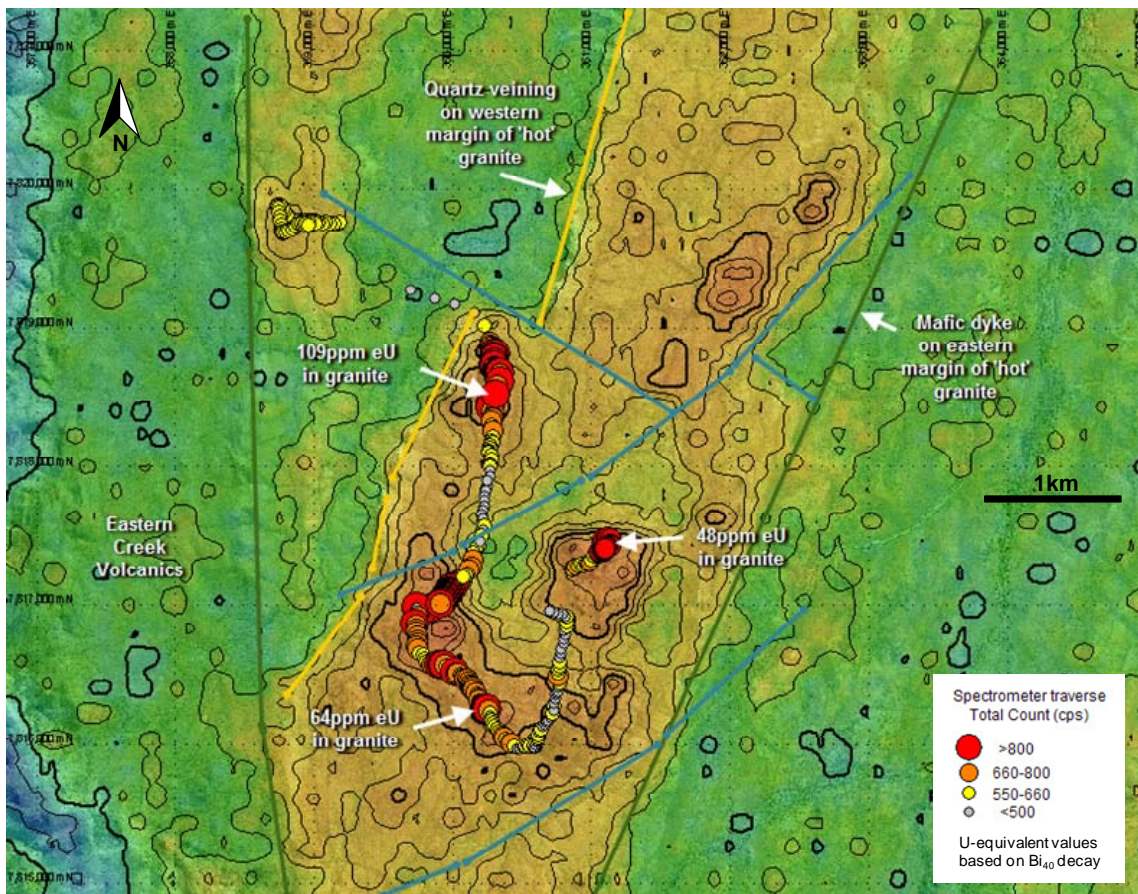


Figure 11: Mt Fox Prospect - Scintillometer traverse shown on background airborne u-channel radiometric image.

Boomara Project

The Boomara Project is located 150km north-east of Mt Isa and comprises two granted tenements totalling 162km² (figure 1).

The project area was targeted for IOCG deposits on the basis of a complex magnetic basement, interpreted multiple fault systems and evidence of IOCG-style alteration systems in historical third party drilling which included intersections of halo grade of copper and gold.

At the Jimmy's Creek Prospect, which sits to the south of the Company's tenements, previous explorers intersected strong albite-haematite-magnetite alteration, multi stage breccias, and halo grade copper and gold intersections over considerable down hole intervals (figure 12).

The Boomara Project tenements were granted late in 2008. Work completed in the second half of the year focussed on synthesis of historical exploration data and preliminary drill hole targeting.

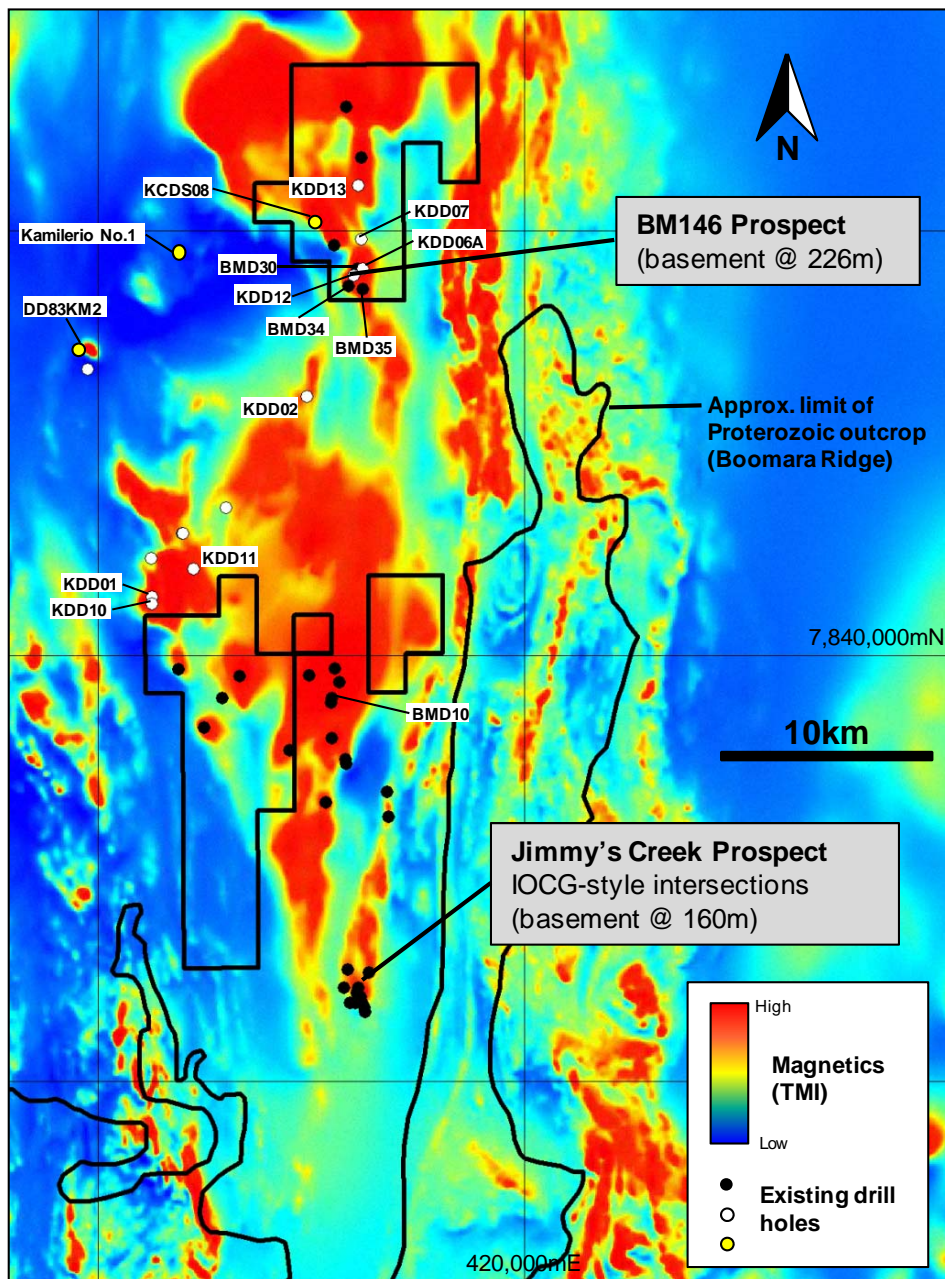


Figure 12: Boomara Project – Historical drill holes on TMI magnetic image.

Reconnaissance Stage Projects

In addition to the core Mt Isa region projects the company maintained an interest in a number of reconnaissance-stage projects across North Queensland. By nature these projects are at an early stage of development and attracted a low level of expenditure during the year. The focus for such areas is to advance exploration concepts to the point where prospective opportunities warrant and receive an expanded exploration program whilst lesser opportunities are rejected.

Toolebuc Project

The Toolebuc Project is located 300km north-east of Mt Isa (figure 1). The project was conceived to assess potential for redox-front uranium deposits within the sedimentary Toolebuc Formation.

During the year MET undertook compilation and detailed analysis of all available third party regional exploration data. The study downgraded the prospectivity for redox-front uranium deposits in the project area due to the perceived low porosity of the target host rocks and constraints on uranium mobility (shale and phosphate nodule entrapment).

MET elected to reduce its tenement position at Toolebuc but has retained a contiguous block of tenements at the western end of the project area (960km²). The retained tenements are situated adjacent to significant third party molybdenum and vanadium deposits also hosted within the Toolebuc Formation.

MET is presently undertaking a review the relevant markets to assess the economic significance of the retained tenement position.

Clermont Project

The Clermont Project comprises 1,084km² of 100%-owned tenements located approximately 300km west of Rockhampton in central Queensland (figure 1).

Field work conducted during the year comprised reconnaissance mapping and rock chip sampling. No significant results were received from this work.

Additional field work is required to assess a number of airborne radiometric anomalies in the project that are prospective for uranium associated poly-metallic deposits.



D-Tree Joint Venture (MET withdrawn)

Subsequent to the end of the year the Board of Mt Isa Metals (MET) advised that the Company had exited the D-Tree project with Legend International Holdings, Inc. ("Legend").

Legend, as manager of the D-Tree Joint Venture, had invoiced the Company \$1.739 million for the Company's 20% interest in the D-Tree project for the period 1 September 2008 to 30 June 2009. The Company decided to dilute rather than pay the invoices and in accordance with the Joint Venture agreement, the Company's interest reduced to less than 5%, thus requiring the Company to exit the Joint Venture.

Further to the above, the Company retains a royalty of A\$0.50 per tonne from any future phosphate product derived from the former D-Tree Joint Venture tenements.

Outlook

The Company made significant progress on its core exploration projects in the Mt Isa region during the financial year.

Given the recent establishment of the Company as a listed/funded entity the principal focus for the year was the synthesis and assessment of historical exploration data, the implementation of field sampling programs, and the collection of new and critical targeting data in the form of geophysical surveys.

Looking forward the company is scheduled to enter the first quarter of the new financial year with an increased focus on exploratory drilling. In the first half of the new financial year drilling is scheduled to commence in two in key project areas – Gregory (copper-gold) and Barbara (sulphide copper).

Our ongoing field programs in other project areas within the world-class Mt Isa Mineral Province will continue to be advanced and will focus on the delineation of additional drill targets through surface sampling programs (soil, rock, and stream sediment sampling).

The Board has indicated that future exploration activities will principally focus on the discovery of two core commodities - **copper** and **gold**. The global supply/demand outlook for both commodities is positive.

The Company has also recently announced that it is actively engaged in seeking to establish an additional portfolio of gold projects also in a world-class gold province.

Through effective expenditure management the Company is pleased to advise that it retained a cash balance of \$5.1m as at 30 June 2009.

The Board looks forward to announcing the results of our 2010 exploration programs as results come to hand.



Directors' Report

Your directors present their report for the year ended 30 June 2009.

The following persons were directors of Mt Isa Metals Limited during the financial year and up to the date of this report, unless otherwise stated:

Peter Spiers - Managing Director
BSc (Hons – Geol), MAusIMM

Mr Spiers is a qualified geologist with in excess of 20 years of experience in the resources industry. Mr Spiers has substantial operations and exploration experience having worked in a wide range of commodities and operating environments both within Australia and offshore.

A significant proportion of his career to date was spent with Western Mining Corporation (WMC) where he held numerous senior technical and commercial roles. His most recent role was Group Manager – Business Development, where he managed the targeting and evaluation of major mineral investment opportunities including copper, gold, nickel, iron ore, mineral sands, coal and other industrial minerals.

Previously Mr Spiers was also responsible for WMC's operations strategic planning which included planning oversight for a multi-billion dollar asset portfolio comprising the company's nickel, copper-gold-uranium, and phosphate fertilizer operations.

More recently Mr Spiers held an executive position with ASX listed Atlas Group Holdings Limited where he was focused on the development of business-wide improvement initiatives and the definition of strategies for growth.

John Bovard – Non-Executive Chairman
BE Civil, FAusIMM

Mr Bovard is a civil engineer and has over 40 years experience in mining, heavy construction, project development and corporate management. His career has included roles as CEO of public companies and both executive and non-executive directorships and he is currently a Non-Executive Director of Australian Solomons Gold Limited. He holds a Bachelor of Civil Engineering, and is a Fellow of the Australian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Company Directors.

Mr Bovard is a member of the Audit and Risk Management Committee.

During the past three years Mr Bovard has also served as a Director of the following ASX listed company:

- Axiom Mining Ltd (14 June 2006 until 30 April 2007)

Nicholas Mather – Non-Executive Director
BSc (Hons, Geol), MAusIMM

Mr Mather's special area of experience and expertise is the generation of and entry into undervalued or unrecognised resource exploration opportunities. He has been involved in the junior resource sector at all levels for more than 25 years. In that time he has been instrumental in the delivery of major resource projects that have delivered significant gains to shareholders. As an investor, securing projects and financiers, leading exploration campaigns and managing emerging resource companies, Mr Mather brings a wealth of valuable experience.

Mr Mather is currently CEO (and co-founder) of Solomon Gold plc (AIM) and Managing Director (and founder) of D'Aguilar Gold Ltd (ASX).

As an Executive Director (and co-founder) of Arrow Energy Ltd until 2004, Mr Mather was responsible for the generation of its Surat Basin Coal Bed Methane project. Arrow Energy Ltd now has a market capitalisation of over \$3 billion. Previously as CEO of BeMax Resources Limited, Mr Mather was instrumental in the discovery of the company's Pooncarie mineral sands project in 1998.

Mr Mather has also been a non-executive Director of Ballarat Goldfields, having assisted with the recapitalisation of the company in 2002. Ballarat Goldfields was taken over by Lihir Gold at a value in excess of \$300 million.

Mr Mather is a member of the Audit and Risk Management Committee.

During the past three years Mr Mather has also served as a Director of the following ASX listed companies:

- D'Aguilar Gold Ltd * (since 26 October 2001)
- Bow Energy Ltd * (since 17 September 2004)
- Waratah Coal Inc. (6 May 2005 until 22 December 2008)

* denotes current directorship.

**Michele Muscillo – Non-Executive Director
LLB (Hons)**

Mr Muscillo is a Partner specialising in corporate law with Hopgood Ganim Lawyers. He was admitted as a Solicitor in 2004 and has a practice focusing almost exclusively on mergers and acquisitions, and capital raising.

He has a Bachelor of Laws from Queensland University of Technology and was a recipient of the QUT University Medal.

In his role with Hopgood Ganim Lawyers, Mr Muscillo has acted on a variety of corporate transactions including initial public offerings, takeovers and other acquisitions. Michele's experience brings to the Board expertise on corporate regulation, governance and compliance matters.

Mr Muscillo is the Chairman of the Audit and Risk Management Committee.

Mr Duncan Cornish was the company secretary of Mt Isa Metals Limited during the financial year and up to the date of this report.

**Duncan Cornish – Company Secretary, CFO
B.Bus (Acctcy) ACA**

Mr Cornish is an accomplished and highly efficient corporate administrator and manager. He has many years experience in pivotal management roles in capital raisings and stock exchange listings for numerous companies on the ASX, AIM Market of the London Stock Exchange and the Toronto Stock Exchange. He has also focused on the areas of company reporting and company regulatory, secretarial and governance areas, and business acquisition and disposal due diligence. He has worked previously with Ernst and Young and PricewaterhouseCoopers in both Australia and the UK.

Mr Cornish is currently Company Secretary and CFO of other listed companies on the ASX and TSX-V having assisted in the listing and capital raising of each of the companies. He is supported by a small experienced team of accountants and administrators.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in the shares of Mt Isa Metals Limited are shown in the table below:

	Ordinary Shares	Unlisted Options \$0.20 @ 31/5/12	Unlisted Options \$0.20 @ 20/8/11	Unlisted Options \$0.25 @ 20/8/11
John Bovard	20,000	-	-	500,000
Peter Spiers	71,429	47,619	3,700,000	-
Nicholas Mather	775,716	190,478	-	500,000
Michele Muscillo	25,000	-	-	500,000

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year were exploration for Iron Oxide Copper Gold ("IOCG"), Uranium and Phosphate mineralisation. There were no significant changes in the nature of the Company's principal activities during the financial period.

OPERATING RESULTS

For the year ended 30 June 2009, the loss for the Company after providing for income tax was \$1,466,836 (2008: \$655,483).

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the financial year.

REVIEW OF OPERATIONS

Detailed comments on operations and exploration programs up to the date of this report are included separately in the Annual Report under Review of Operations and Future Developments.

REVIEW OF FINANCIAL CONDITION

Capital structure

On 13 August 2008, the Company allotted and issued 35,000,000 shares pursuant to the Initial Public Offering, raising \$7 million.

On 20 August 2008, the Company was admitted to the ASX.

Upon admission to the ASX, the Company issued the following unlisted options:

- 3,700,000 \$0.20 options expiring 20 August 2011 issued to the Managing Director, Peter Spiers;
- 1,500,000 \$0.25 options expiring 20 August 2011 issued to the Non-Executive Directors; and

Official quotation of the Company's shares on the ASX commenced on 22 August 2008.

Upon quotation of the Company's shares on the ASX, the Company issued 900,000 \$0.20 options expiring 31 May 2012 to the underwriter of the Initial Public Offering.

On 31 March 2009, 3,000,000 unlisted options, exercisable at \$0.25, expired.

On 30 June 2009, the Company issued 1,300,000 \$0.25 unlisted options expiring 30 June 2012 to employees and consultants.

At 30 June 2009, the Company had 103,750,000 ordinary shares and 13,200,000 unlisted options on issue.

Financial position

The net assets of the Company have increased by \$5,477,249 from \$1,310,924 at 30 June 2008 to \$6,788,173 at 30 June 2009. This increase has largely resulted from the following factors:

- Proceeds from share issue raisings which has largely been directed on the Company's (capitalised) exploration expenditure, partly offset by;
- Operating losses.

The Company's working capital, being current assets less current liabilities has increased from \$638,951 in 2008 to \$4,418,158 in 2009.

During the past year the Company has invested in increasing its interests in Iron Oxide Copper Gold ("IOCG") and Uranium mineralisation tenements.

Treasury policy

The Company does not have a formally established treasury function. The Board is responsible for managing the Company's finance facilities. The Company does not currently undertake hedging of any kind and is not directly exposed to currency risks.

Liquidity and funding

The Company has sufficient funds to finance its operations and exploration activities, and to allow the Company to take advantage of favourable business opportunities, not specifically budgeted for, or to fund unforeseen expenditure.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the Company occurred in the financial year:

On 13 August 2008, the Company allotted and issued 35,000,000 shares pursuant to the Initial Public Offering, raising \$7 million.

On 20 August 2008, the Company was admitted to the ASX.

Upon admission to the ASX, the Company issued the following unlisted options:

- 3,700,000 \$0.20 options expiring 20 August 2011 issued to the Managing Director, Peter Spiers;
- 1,500,000 \$0.25 options expiring 20 August 2011 issued to the Non-Executive Directors; and

Official quotation of the Company's shares on the ASX commenced on 22 August 2008.

Upon quotation of the Company's shares on the ASX, the Company issued 900,000 \$0.20 options expiring 31 May 2012 to the underwriter.

On 31 March 2009, 3,000,000 unlisted options, exercisable at \$0.25, expired.

On 30 June 2009, the Company issued 1,300,000 \$0.25 unlisted options expiring 30 June 2012 to employees and consultants.

AFTER BALANCE DATE EVENTS

On 24 April 2009, the Company entered into a joint venture agreement with Legend International Holdings, Inc. (Legend) in relation to the D-Tree phosphate deposit.

On 29 September 2009 the Company reached agreement with Legend to exit from the D-Tree Joint Venture.

Legend, as manager of the D-Tree Joint Venture, had invoiced the Company \$1.739 million for the Company's 20% interest in the D-Tree project for the period 1 September 2008 to 30 June 2009. The Company decided to dilute rather than pay the invoices and in accordance with the Joint Venture agreement, the Company's interest has been reduced to less than 5%, thus requiring the Company to exit the Joint Venture.

Further to the above, the Company has agreed to a royalty of A\$0.50 per tonne from any future phosphate product derived from the former D-Tree Joint Venture tenements.

There have been no other events since 30 June 2009 that impact upon the financial report as at 30 June 2009.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Likely developments in the operations of the Company and the expected results of those operations in subsequent financial years have been discussed where appropriate in the Annual Report under Review of Operations and Future Developments.

There are no further developments of which the Directors are aware which could be expected to affect the results of the Company's operations in subsequent financial years other than information which the Directors believe comment on or disclosure of, would prejudice the interests of the Company.

ENVIRONMENTAL ISSUES

The Company is subject to environmental regulation in relation to its exploration activities. There are no matters that have arisen in relation to environmental issues up to the date of this report.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each Director of Mt Isa Metals Limited, and for the key management personnel.

Remuneration policy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

The Board does not presently have Remuneration and Nomination Committees. The directors consider that the Company is not of a size, nor are its affairs of such complexity, as to justify the formation of separate committees. All matters which might be dealt with by such committees are reviewed by the directors meeting as a Board. The Board, in carrying out the functions of the Remuneration and Nomination Committees, are responsible for determining and reviewing compensation arrangements for the directors and the executive team.

The Board, in carrying out the functions of the Remuneration and Nomination Committees, assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Company.

The Company aims to reward the Managing Director and senior management with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The Board's policy is to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives.

In accordance with best practice corporate governance, the structure of non-executive directors, Managing Director and senior management remuneration is separate and distinct.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution of the Company and the ASX Listing Rules specify that the non-executive directors are entitled to remuneration as determined by the Company in a general meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. The aggregate remuneration currently determined by the Company is \$350,000 per annum. Additionally, non-executive directors will be entitled to be reimbursed for properly incurred expenses.

If a non-executive director performs extra services, which in the opinion of the directors are outside the scope of the ordinary duties of the director, the Company may remunerate that director by payment of a fixed sum determined by the directors in addition to or instead of the remuneration referred to above. However, no payment can be made if the effect would be to exceed the maximum aggregate amount payable to non-executive directors. A non-executive director is entitled to be paid travel and other expenses properly incurred by them in attending directors' or general meetings of the Company or otherwise in connection with the business of the Company.

The remuneration of non-executive directors for the year ending 30 June 2009 is detailed in this Remuneration Report.

Managing Director and senior management remuneration

The Company aims to reward the Managing Director and senior management with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward Executives for company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

REMUNERATION REPORT (AUDITED) CONTINUED

The remuneration of the Managing Director and senior management may from time to time be fixed by the Board. As noted above, the Board's policy is to align the Managing Director and senior management objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives.

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board, in carrying out the functions of the Remuneration and Nomination Committees, and the process consists of a review of Company-wide and individual performance, relevant comparative remuneration in the market and internal, and where appropriate, external advice on policies and practices. Senior management are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Long-term incentives are provided in the form of options and/or the issue of shares following the completion of satisfactory time periods of service. The Company uses employee continuity of service and the future share price to align comparative shareholder return and reward for executives.

The remuneration of the Managing Director and senior management for the year ending 30 June 2009 is detailed in this Remuneration Report.

Relationship between remuneration and Company performance

During the financial year, the Company has generated losses as its principal activity was exploration for Iron Oxide Copper Gold ("IOCG"), Uranium and Phosphate mineralisation.

On 22 August 2008, official quotation of the Company's shares on the ASX commenced at a price of \$0.20. The share price at the end of the financial year ended 30 June 2009 was \$0.115.

There were no dividends paid during the year ended 30 June 2009.

As the Company has only recently listed on the ASX, and is still in the exploration and development stage, the link between remuneration, company performance and shareholder wealth is tenuous. Share prices are subject to the influence of metals prices and market sentiment toward the sector, and as such increases or decreases may occur quite independent of executive performance or remuneration.

Employment contracts

It is the Board's policy that employment agreements are entered into with all Executive Directors, Executives and employees.

Contracts do not provide for pre-determining compensation values or method of payment. Rather the amount of compensation is determined by the Board in accordance with the remuneration policy set out above.

The current employment agreements with the Managing Director and the Company Secretary have three month notice periods. All other employment agreements have one month (or less) notice periods. No current employment contracts contain early termination clauses. All Non-Executive Directors have received letters outlining the key terms of their appointment.

Key management personnel are entitled to their statutory entitlements of accrued annual leave and long service leave together with any superannuation on termination. No other termination payments are payable.

Managing Director

The Company has entered into an Executive Service Agreement with Peter Spiers dated 1 January 2008 and will continue until the Agreement is terminated by either party. Under the Executive Service Agreement, Mr Spiers has agreed to provide certain services to the Company and be appointed as the Chief Executive Officer and Managing Director of the Company.

REMUNERATION REPORT (AUDITED) CONTINUED

Mr Spiers received a base remuneration of \$270,000 per annum (not including superannuation contributions) which was increased to \$300,000 (not including superannuation contributions) when the Company listing on the ASX on 22 August 2008. Mr Spiers is eligible for an annual bonus of up to 30% of his annual base salary if he successfully achieves key performance indicators established by the Board (KPI's) before the start of each financial year.

Upon listing of the Company on the ASX, Mr Spiers was granted 3,700,000 options of the issued capital of the Company, exercisable at 20 cents, expiring on 20 August 2011. The Company is obliged to reimburse Mr Spiers for all reasonable and necessary expenses incurred by him in the performance of his duties.

The Company is entitled to terminate the agreement upon the Board giving three (3) months written notice or upon the happening of various events in respect of Mr Spiers' solvency or other conduct. There is no termination payment provided for in the Executive Service Contract with Peter Spiers.

Senior Management

The company has entered into a Consultancy Agreement with Andrew Bowden (trading as Geodec Consulting Pty Ltd) for the position of General Manager – Exploration. The agreement commenced on 8 September 2008 and continued until 20 July 2009 when the agreement was terminated and Mr Bowden became employed under an Employment Contract. Mr Bowden's Employment Contract has a 4 week notice period. There was no termination payment provided for in the Consultancy Agreement with Andrew Bowden.

Company Secretarial and CFO

The Company has entered into a Services Agreement with Corporate Administration Services Pty Ltd (CAS) and Duncan Cornish, the Secretary of the Company. The Services Agreement commenced on the date the Company listed on the Australian Stock Exchange (20 August 2008) and will continue until the Agreement is terminated by either party. Under the Services Agreement CAS has agreed to provide certain company secretarial and other services to the Company. Additionally, CAS has agreed to cause Duncan Cornish to assist CAS in providing the services and Duncan Cornish has agreed to act as the Secretary and Chief Financial Officer of the Company.

CAS will receive a base fee of \$7,500 per month.

The Company is obliged to reimburse CAS for all reasonable and necessary expenses incurred by it in the performance of its duties. Both the Company and CAS are entitled to terminate the Agreement upon giving not less than three months written notice. Further, the Company is entitled to terminate the Agreement upon the happening of various events in respect of CAS's solvency or other conduct.

The Services Agreement has a three month notice period. There is no termination payment provided for in the Consultancy Agreement with Corporate Administration Services Pty Ltd (CAS) and Duncan Cornish.

(a) Details of Management Personnel*(i) Directors*

John Bovard	Non-Executive Chairman
Peter Spiers	Managing Director
Nicholas Mather	Non-Executive Director
Michele Muscillo	Non-Executive Director

(ii) Senior Management

Andrew Bowden	General Manager – Exploration (appointed 8 September 2008)
Duncan Cornish	Company Secretary and Chief Financial Officer

REMUNERATION REPORT (AUDITED) CONTINUED**(b) Remuneration of Key Management Personnel**

Senior Management includes the five most highly paid Executive Officers of the Company for the year ended 30 June 2009.

2009	Short-Term Benefits				Post-Employment Superannuation	Termination Benefits	Share-based Payments Equity Settled	Other	Total	Performance Related %
	Salary & Fees	Cash Bonus	Other Short-term Benefits	Non-cash benefits				Insurance		
Directors										
John Bovard	43,011	-	-	-	-	-	38,333	4,021	85,365	-
Peter Spiers	272,318	-	15,977	-	36,234	-	336,700	4,021	665,250	-
Nicholas Mather	34,429	-	-	-	-	-	38,333	4,021	76,783	-
Michele Muscillo	34,429	-	-	-	-	-	38,333	4,021	76,783	-
Total	384,187	-	15,977	-	36,234	-	451,699	16,084	904,181	-
Senior Management										
Duncan Cornish	90,557	-	-	-	-	-	23,446	4,021	118,024	-
Andrew Bowden	120,739	-	-	-	-	-	23,446	-	144,185	-
Total	211,296	-	-	-	-	-	46,892	4,021	262,209	-

2008	Short-Term Benefits				Post-Employment Superannuation	Termination Benefits	Share-based Payments Equity Settled	Other	Total	Performance Related %
	Salary & Fees	Cash Bonus	Other Short-term Benefits	Non-cash benefits				Insurance		
Directors										
John Bovard	-	-	-	-	-	-	-	-	-	-
Peter Spiers	135,000	-	8,787	-	6,060	-	-	-	149,847	-
Nicholas Mather	-	-	-	-	-	-	-	-	-	-
Michele Muscillo	-	-	-	-	-	-	-	-	-	-
Christopher Rawlings*	-	-	-	-	-	-	-	-	-	-
Ian Levy ^	-	-	-	-	-	-	-	-	-	-
Brian Moller ~	-	-	-	-	-	-	-	-	-	-
Vincent Mascolo#	-	-	-	-	-	-	-	-	-	-
Total	135,000	-	8,787	-	6,060	-	-	-	149,847	-
Senior Management										
Duncan Cornish	25,700	-	-	-	-	-	-	-	25,700	-
Andrew Bowden	-	-	-	-	-	-	-	-	-	-
Total	25,700	-	-	-	-	-	-	-	25,700	-

* Mr Rawlings resigned on 2 July 2007.

^ Mr Levy resigned on 10 June 2008.

~ Mr Moller resigned on 14 June 2008.

Mr Mascolo resigned on 10 June 2008.

Performance income as a proportion of total remuneration

Directors and key management personnel were not paid performance based remuneration during the year ended 30 June 2009.

REMUNERATION REPORT (AUDITED) CONTINUED*Options issued as part of remuneration for the year ended 30 June 2009*

The following options were granted during the year as remuneration to Directors and Key Management Personnel:

	Grant Date	Grant Number	Exercise Price	Expiry Date	Vesting Date	Number Vested at 30 June 2009	Value per option at grant date (\$)#	Total value expensed during the year ended 30 June 2009	% remuneration represented by options
Directors									
John Bovard	20/08/2008	500,000	\$0.25	20/08/2011	20/08/2008	500,000	0.077	-	45%
Peter Spiers	20/08/2008	3,700,000	\$0.20	20/08/2011	20/08/2008	3,700,000	0.091	-	52%
Nicholas Mather	20/08/2008	500,000	\$0.25	20/08/2011	20/08/2008	500,000	0.077	-	50%
Michele Muscillo	20/08/2008	500,000	\$0.25	20/08/2011	20/08/2008	500,000	0.077	-	50%
Senior Management									
Andrew Bowden	30/06/2009	500,000	\$0.25	30/06/2012	30/06/2009	500,000	0.047	-	16%
Duncan Cornish	30/06/2009	500,000	\$0.25	30/06/2012	30/06/2009	500,000	0.047	-	20%
Total		6,200,000				6,200,000		-	

Calculation of value of options granted using the Black-Scholes option pricing model, which takes into account factors such as the option exercise price, the market price at the date of issue and volatility of the underlying share price and the time to maturity of the option.

All options issued as part of remuneration for the year ended 30 June 2009 were granted for nil consideration.

Once vested, options can be exercised at any time up to the expiry date.

All of the above options vested during the year ended 30 June 2009.

None of the above options were forfeited during the year ended 30 June 2009.

During the year 750,000 \$0.25 options, previously issued to Duncan Cornish as remuneration, expired.

These options were not issued based on performance criteria as the Board does not consider this appropriate for a junior exploration company. The options were issued to the directors and senior management of Mt Isa Metals Limited to align comparative shareholder return and reward for directors and senior management.

Options issued as part of remuneration for the year ended 30 June 2008

There were no options were granted as remuneration to Directors or Key Management Personnel during the year ended 30 June 2008.

Shares issued on exercise of remuneration options

During the years ended 30 June 2008 and 2009 there were no options exercised that had been granted as remuneration in current or prior years.

End of Remuneration Report

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of directors) held during the year and the number of meetings attended by each Director was as follows:

	Board		Audit & Risk Management Committee	
	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended
John Bovard	7	7	2	2
Peter Spiers	7	7	2	n/a
Nicholas Mather	7	6	2	2
Michele Muscillo	7	7	2	2

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

Each of the Directors and the Secretary of the Company have entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those Directors and Secretary.

The Company has insured all of the Directors of Mt Isa Metals Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances.

The Company has not indemnified its auditor.

OPTIONS

At balance date, and at the date of this report, there were 13,200,000 unissued ordinary shares under options as follows:

- 13,200,000 unlisted options to take up one ordinary share in Mt Isa Metals Limited as follows:
 - 5,900,000 options to take up one ordinary share in Mt Isa Metals Limited at an issue price of 20 cents. The options expire 31 May 2012.
 - 800,000 options to take up one ordinary share in Mt Isa Metals Limited at an issue price of 20 cents. The options expire 31 July 2010.
 - 3,700,000 options to take up one ordinary share in Mt Isa Metals Limited at an issue price of 20 cents. The options expire 20 August 2011.
 - 1,500,000 options to take up one ordinary share in Mt Isa Metals Limited at an issue price of 25 cents. The options expire 20 August 2011.
 - 1,300,000 options to take up one ordinary share in Mt Isa Metals Limited at an issue price of 25 cents. The options expire 30 June 2012.

During the year ended 30 June 2009, and as at the date of this report, there were no ordinary shares issued as a result of the exercise of an option over unissued shares.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor BDO Kendalls (QLD). The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

BDO Kendalls (QLD) received the following amounts for the provision of non-audit services:

Tax services	\$7,055
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AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 27.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Mt Isa Metals Limited support and have adhered to the principles of corporate governance. The Company's Corporate Governance Statement is contained can be found on page 31.

Signed in accordance with a resolution of the directors.

Peter Spiers
Director

Brisbane
30 September 2009



BDO Kendalls

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ABN 70 202 702 402

The Directors
Mt Isa Metals Limited
GPO Box 5263
BRISBANE QLD 4001

Dear Directors

Declaration of Independence by Damian Wright to the Directors of Mt Isa Metals Limited

As lead auditor of Mt Isa Metals Limited the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Mt Isa Metals Limited.

Yours faithfully,
BDO Kendalls (QLD)

Damian Wright
Partner

30 September 2009

Shareholder Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 15 September 2009.

(a) Distribution of equity securities

The number of holders, by size of holding, in each class of security are:

	Ordinary shares		Unlisted options (\$0.20 @ 31/5/12)		Unlisted options (\$0.20 @ 31/5/12)	
	Number of holders	Number of holders	Number of holders	Number of holders	Number of holders	Number of shares
1 – 1,000	28	70,288	-	-	-	-
1,001 – 5,000	9	45,000	-	-	-	-
5,001 – 10,000	173	1,689,560	-	-	-	-
10,001 – 100,000	335	12,489,451	-	-	27	1,495,217
100,001 and over	59	89,455,701	1	800,000	7	4,404,783
Total	604	103,750,000	1	800,000	34	5,900,000

	Unlisted options (\$0.20 @ 20/8/11)		Unlisted options (\$0.25 @ 20/8/11)		Unlisted options (\$0.25 @ 30/6/12)	
	Number of shares	Number of shares	Number of holders	Number of shares	Number of holders	Number of shares
1 – 1,000	-	-	-	-	-	-
1,001 – 5,000	-	-	-	-	-	-
5,001 – 10,000	-	-	-	-	-	-
10,001 – 100,000	-	-	-	-	1	100,000
100,001 and over	1	3,700,000	3	1,500,000	3	1,200,000
Total	1	3,700,000	3	1,500,000	4	1,300,000

The number of shareholders holding less than a marketable parcel (4,546 ordinary shares) is 28 (70,288 ordinary shares).

(b) Twenty largest holders

The names of the twenty largest holders, in each class of quoted security are:

Ordinary shares:

1	D'Aguilar Gold Limited	50,000,000	48.19%
2	UBS Wealth Management Australia Nominees Pty Ltd	19,905,180	19.19%
3	Phillip Securities (Hong Kong) Ltd	1,868,500	1.80%
4	Tenstar Trading Limited *	1,464,285	1.41%
5	Carpentaria Corporation Pty Ltd	1,250,000	1.20%
6	Bizzell Capital Partners Pty Ltd	1,246,935	1.20%
7	Justevian Pty Ltd	1,071,428	1.03%
8	BCP Alpha Investments Pty Ltd	964,286	0.93%
9	Mr Robert Simeon Lord	940,000	0.91%
10	Mr Warren William Brown + Mrs Marilyn Helena Brown	750,000	0.72%
11	Bizzell Nominees Pty Ltd	700,000	0.67%
12	Mr Ronald Geoffrey Phillips	500,000	0.48%
13	Mr Vincent David Mascolo *	417,858	0.40%
14	Taylor & Co Builders Pty Ltd	414,545	0.40%
15	Harnbury Pty Ltd	400,000	0.39%
16	Mr Nicholas Mather + Mrs Judith Mather *	362,858	0.35%
17	Mirrup Pty Ltd	357,142	0.34%
18	Samuel Holdings Pty Ltd *	352,858	0.34%
19	Fluid Investments Pty Ltd	350,000	0.34%
20	Mr Michael Anthony Palmer	290,000	0.28%
	Top 20	83,605,875	80.58%
	Total	103,750,000	100.00%

* merged

(c) Substantial shareholders

Substantial shareholders as shown in substantial shareholder notices received by the Company at 15 September 2009 are:

Name of Shareholder:	Ordinary Shares:
D'Aguilar Gold Ltd	50,000,000
Tinkler Investments Pty Ltd atf Tinkler Family Trust	19,445,180

(d) Voting rights

All ordinary shares carry one vote per share without restriction.

(e) Restricted securities

Restricted securities on issue at 15 September 2009 are:

Escrow Release Date	Escrow Period	Shares	Options					Total
			\$0.20 @ 31/7/10	\$0.20 @ 20/8/11	\$0.25 @ 20/8/11	\$0.25 @ 31/3/12	\$0.20 @ 31/5/12	
22 August 2010	24 months (from listing)	52,286,211	800,000	3,700,000	1,500,000	1,250,000	3,202,692	62,738,903

(f) Business objectives

The Company has used its cash and assets that are readily convertible to cash in a way consistent with its business objectives.

Interests in Tenements

Mt Isa Metals Limited held the following interests in tenements as at 30 September 2009:

Tenement	% Interest	Application Lodged	Grant Date	Expiry Date
EPM 15760	100	20/07/2006	5/06/2008	04/06/2013
EPM 15762	100	20/07/2006	5/06/2008	04/06/2013
EPM 15764	100	20/07/2006	5/06/2008	04/06/2013
EPM 15767	100	21/07/2006	5/06/2008	04/06/2013
EPM 15772	100	24/07/2006	30/10/2008	29/10/2013
EPM 15774	100	24/07/2006	10/03/2008	09/03/2013
EPMA 15913	100	02/10/2006	-	-
EPM 15914	100	02/10/2006	21/10/2008	20/10/2012
EPM 15938	100	17/10/2006	10/03/2008	09/03/2013
EPM 15939	100	17/10/2006	11/03/2008	10/03/2013
EPM 15940	100	17/10/2006	11/03/2008	10/03/2013
EPM 15942	100	18/10/2006	29/11/2007	28/11/2012
EPM 15961	100	30/10/2006	03/03/2008	02/03/2013
EPM 15962	100	30/10/2006	12/03/2008	11/03/2013
EPM 15963	100	30/10/2006	12/03/2008	11/03/2013
EPM 16031	100	06/12/2006	04/11/2008	03/11/2013
EPM 16034	100	08/12/2006	19/06/2007	18/06/2012
EPM 16036	100	08/12/2006	05/03/2008	04/03/2013
EPM 16037	100	08/12/2006	19/06/2007	18/06/2012
EPM 16038	100	08/12/2006	19/06/2008	18/06/2012
EPM 16040	100	08/12/2006	12/03/2008	11/03/2013
EPM 16076	100	04/01/2007	05/06/2008	04/06/2013
EPM 16116	100	01/02/2007	08/12/2008	07/12/2013
EPM 16119	100	01/02/2007	5/06/2008	04/06/2013
EPM 16147	100	13/02/2007	5/06/2008	04/06/2013
EPM 16498	100	28/05/2007	09/01/2009	08/01/2014
EPM 16786	100	22/08/2007	08/12/2008	07/12/2010
EPM 16112 *	49	01/02/2007	03/11/2008	02/11/2013
EPM 16197 *	49	01/03/2007	03/11/2008	02/11/2013
EPMA 17914	100	03/11/2008	-	-
EPMA 17947	100	01/12/2008	-	-
EPMA 17959	100	01/12/2008	-	-
EPMA 17960	100	01/12/2008	-	-
EPMA 17962	100	01/12/2008	-	-
EPMA 17963	100	01/12/2008	-	-
EPMA 17965	100	01/12/2008	-	-
EPMA 17966	100	01/12/2008	-	-
EPMA 18217	100	31/07/2009	-	-

* Joint venture tenements with Syndicated Metals Ltd (MET 49%).

Corporate Governance Statement

The board of directors of Mt Isa Metals Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Mt Isa Metals Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Mt Isa Metals Limited's Corporate Governance Statement is structured with reference to the Australian Stock Exchange ("ASX") Corporate Governance Council's (the "Council") "Corporate Governance Principles and Recommendations, 2nd Edition", which the Council notes will apply to annual reports (with 30 June year ends) for years ending 30 June 2009 and later. Mt Isa Metals Limited is effecting an early transition to the revised Principles and Recommendations which are as follows:

Principle 1	Lay solid foundations for management and oversight
Principle 2	Structure the board to add value
Principle 3	Promote ethical and responsible decision making
Principle 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of shareholders
Principle 7	Recognise and manage risk
Principle 8	Remunerate fairly and responsibly

A copy of the eight Corporate Governance Principles and Recommendations can be found on the ASX's website at www.asx.com.au.

The Board is of the view that with the exception of the departures from the ASX Guidelines as set out below, it otherwise complies with all of the ASX Guidelines.

ASX Principles and recommendations	Summary of the Company's Position
Principle 1 – Lay solid foundations for management and oversight	
Recommendation 1.2 – Companies should disclose the process for evaluating the performance of senior executives	The Board has not established a separation nomination committee. In the absence of a formally constituted nomination committee, the full Board is responsible for proper oversight of the Board, the Directors and senior management. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate committee.
Principle 2 – Structure the board to add value	
Recommendation 2.1 – A majority of the Board should be independent directors	While the Company does not presently comply with this recommendation, the Company may consider appointing further independent directors in the future. The Company believes that given the size and scale of its operations, non-compliance by the Company with this recommendation will not be detrimental to the Company.
Recommendation 2.4 – The board should establish a nomination committee	The Board's view is that the Company is not currently of the size to justify the formation of a separation nomination committee. The Board currently performs the functions of a nomination committee and where necessary will seek advice of external advisors in relation to this role. The Board shall, upon the Company reach the requisite corporate and commercial maturity, approve the constitution of a nomination committee to assist the Board in relation to the appointment of Directors and senior management.

**ASX Principles
and recommendations**

**Summary of the Company's
Position**

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.2 – The audit committee should be structured so that it:

- Consists only of non-executive directors
- Consists of a majority of independent directors
- Is chaired by an independent chair, who is not chair of the board
- Has at least 3 members

Mr Michele Muscillo is a non-executive director and the current Chairman of the Audit and Risk Management Committee. Mr Muscillo is a Senior Associate with Hopgood Ganim Lawyers, the Company's legal advisers. As such, there is a possibility that Mr Muscillo may not be considered to be an independent director as defined in the ASX Guidelines.

Mr John Bovard is a non-executive director and the current Chairman of the Board. The Company considers Mr Bovard to be an independent director as defined in the ASX Guidelines.

Mr Nicholas Mather is a non-executive director. The Company does not consider Mr Mather to be an independent director as defined in the ASX Guidelines on the basis that he is a director of D'Aguilar Gold Limited, a substantial shareholder in the Company.

On the basis of above information, the Company is of the view that there is a possibility that the Committee does not consist of a majority of independent directors. While it is possible that the Company does not presently comply with this Recommendation 4.2, the Company may consider appointing further independent Directors in the future. The Company believes that given the size and scale of its operations, non-compliance by the Company with this Recommendation 4.2 will not be detrimental to the Company.

Principle 8 - Remunerate fairly and responsibly

Recommendation 8.1 – The board should establish a remuneration committee

The Board has not established a remuneration committee. The Board considers that given its size, no efficiencies or other benefits would be gained by the establishing of such committee. The role of the remuneration committee is carried out by the full Board. The Company has adopted a Remuneration Committee Charter, which is set out in the Company's Corporate Governance Charter.

Recommendation 8.2 – Companies should clearly distinguish the structure of non-executive director's remuneration from that of executive Directors and senior executives

The Corporate Governance Charter sets out the Remuneration Committee Charter. The Board, in the absence of a formally constituted remuneration committee, is responsible for reviewing the remuneration policies and practices of the Company in respect of executive remuneration and incentive plan, remuneration packages for Management and Directors and non-executive director remuneration.

Board

The Board has adopted a formal board charter that outlines the roles and responsibilities of directors and senior executives. The Board Charter has been made publicly available on the Company's website.

The skills, experience and expertise relevant to the position of Director held by each Director on office at the date of the Annual Report is included in the Director's Report. Corporate Governance Council Recommendation 2.1 requires a majority of the Board should be independent Directors. The Corporate Governance Council defines an independent director as a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement.

In the context of Director independence, “materiality” is considered from both the Company and the individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 10% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered included whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company’s loyalty.

Factors that may impact on a director’s independence are considered each time the Board meets.

At the date of this report:

In accordance with the Council’s definition of independence above, and the materiality thresholds set, the following Directors are considered to be independent:

Name	Position
John Bovard	Non-Executive Chairman

In accordance with the Council’s definition of independence above, and the materiality thresholds set, the following Directors are not considered to be independent:

Name	Position	Reason for non-compliance
Peter Spiers	Managing Director	Mr Spiers is employed by the Company in an executive capacity.
Nicholas Mather	Non-Executive Director	Mr Mather is the Managing Director of D’Aguilar Gold Ltd, as substantial shareholder in the Company.
Michele Muscillo	Non-Executive Director	Mr Muscillo is a Partner with Hopgood Ganim Lawyers, the Company’s legal advisers.

Mt Isa Metals Limited considers industry experience and specific expertise, as well as general corporate experience, to be important attributes of its Board members. The Directors noted above have been appointed to the Board of Mt Isa Metals Limited due to their considerable industry and corporate experience.

There are procedures in place, agreed by the board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company’s expense.

The term in office held by each Director in office at the date of this report is as follows:

Name	Term in office
John Bovard	1 year 3 months
Peter Spiers	1 year 6 months
Nicholas Mather	2 years 9 months
Michele Muscillo	1 year 3 months

Trading Policy

The Board has adopted a policy and procedure on dealing in the Company’s securities by Directors, officers and employees which prohibits dealing in the Company’s securities when those persons possess inside information until it has been released to the market and adequate time has passed for this to be reflected in the security’s prices, and during certain pre-determined windows.

The Company’s policy regarding dealings by directors in the Company’s shares is that directors should never engage in short term trading and should not enter into transactions when they are in possession of price sensitive information not yet released by the Company to the market; or for a period of fourteen (14) days prior to the scheduled (per ASX Listing Rules) release by the Company of (ASX) Quarterly Operations and Cash Flow Reports or such shorter period as may be approved of by the Board of Directors after receipt of notice of intention to buy or sell by a director to other members of the Board.

Directors will generally be permitted to engage in trading (subject to due notification being given to the Chairperson) for a period commencing one (1) business day after the release of (ASX) Quarterly Operations and Cash Flow Reports to the market and for a period commencing one (1) business day following the release of price sensitive information to the market which allows a reasonable period of time for the information to be disseminated among members of the public.

Remuneration and Nomination Committees

Due to the size and scale of operations, Mt Isa Metals Limited does not have separately established Remuneration or Nomination Committees. The full Board carries out the functions of Remuneration and Nomination Committees.

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Company to the Audit and Risk Management Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit and Risk Management Committee are Non-Executive Directors.

The members of the Audit and Risk Management Committee at the date of this report are:

- Michele Muscillo (Chairman)
- John Bovard
- Nicholas Mather

For additional details of directors' attendance at Board and Audit and Risk Management Committee meetings and to review the qualifications of the members of the Audit and Risk Management Committee, please refer to the Directors' Report.

The Audit and Risk Management Charter has been made publicly available on the Company's website.

Risk Management

The Company has developed a basic framework for risk management and internal compliance and control systems which cover organisational, financial and operational aspects of the Company's affairs. Further detail of the Company Risk management Policies can be found within the Audit and Risk Management Committee Charter available on the Company website (www.mtisametals.com.au).

Recommendation 7.2 requires that the Board disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. Business risks are considered regularly by the Board and management. A formal report as to the effectiveness of the management of the Company's material business risks has been provided to the Board.

As required by Recommendation 7.3, the Board has received written assurances from the Managing Director and Chief Financial Officer that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that they system is operating effectively in all material respects in relation to financial reporting risks.

Performance Evaluation

The full Board, in carrying out the functions of the Remuneration and Nomination Committees, considers remuneration and nomination issues annually and otherwise as required in conjunction with the regular meetings of the Board.

The performance of the individual members of the Board is considered at the regular meetings of the Board. No formal performance evaluation of the directors was undertaken during the year ended 30 June 2009. The Board intend to undertake formal evaluations during the current financial year against both measurable and qualitative indicators aligned with the financial and non-financial objectives of Mt Isa Metals Limited.

Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating directors and key executives fairly and appropriately with reference to relevant and employment market conditions. To assist in achieving this objective, the Board links the nature and amount of Executive Director's and Officer's emoluments to the Company's financial and operations performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key Executives
- attraction of quality management to the Company
- performance incentives which allow Executives to share the rewards of the success of Mt Isa Metals Limited

For details on the amount of remuneration and all monetary and non-monetary components for each of the five highest paid (Non-Director) Executives during the period, and for all Directors, please refer to the Remuneration Report within the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of Mt Isa Metals Limited and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, subject to the Company's constitution and prior shareholder approvals, and the Executive team.

Continuous Disclosure Policy

Detailed compliance procedures for ASX Listing Rule disclosure requirements have been adopted by the Company. The Company's Obligation of Disclosure Policy can be found within the Company's Corporate Governance Charter on the Company's website (www.mtisametals.com.au) in the Corporate Governance section.

Communications

The Company has designed a disclosure system to ensure it complies with the ASX's continuous disclosure rules and that information is made available to all investors equally, promoting effective communications with shareholders and encouraging shareholder participation at general shareholder meetings. A copy of the Information Disclosure Program Procedures can be found within the Company's Corporate Governance Charter on the Company's website (www.mtisametals.com.au) in the Corporate Governance section. In addition to corporate and project information general available on the Company's website, in the Investors section of the Company's website the following information is made available:

- ASX Releases
- Annual Reports
- Quarterly Reports
- Presentations
- Media Coverage
- Flyers

Other Information

Further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's web site at: <http://www.mtisametals.com.au/corporate-governance/>

Income Statement for the year ended 30 June 2009

	Note	2009 \$	2008 \$
Revenue	2	210,572	45,823
Employee benefits expenses		(969,185)	(239,013)
Depreciation and amortisation expenses		(11,466)	(1,866)
Finance costs		-	(872)
Legal expenses		(66,356)	(33,957)
Administration and consulting expenses		(288,081)	(373,207)
Other expenses		(342,320)	(52,391)
Profit/(loss) before income tax		(1,466,836)	(655,483)
Income tax expense	4	-	-
Profit/(loss) after income tax expense		(1,466,836)	(655,483)
		Cents	Cents
Overall Operations			
Basic earnings per share	8	(1.47)	(1.04)
Diluted earnings per share	8	(1.47)	(1.04)

The Income Statement should be read in conjunction with the Notes to the Financial Statements.

Balance Sheet as at 30 June 2009

	Note	2009 \$	2008 \$
Current Assets			
Cash and cash equivalents	9	5,056,492	592,429
Trade and other receivables	10	92,207	50,829
Other current assets	13	10,307	207,095
Total Current Assets		5,159,006	850,353
Non-Current Assets			
Plant and equipment	11	72,627	14,979
Exploration and evaluation expenditure	12	2,222,888	594,494
Other non-current assets	13	74,500	62,500
Total Non-Current Assets		2,370,015	671,973
TOTAL ASSETS		7,529,021	1,522,326
Current Liabilities			
Trade and other payables	14	740,848	211,402
Total Current Liabilities		740,848	211,402
TOTAL LIABILITIES		740,848	211,402
NET ASSETS		6,788,173	1,310,924
Equity			
Issued capital	15	7,945,117	1,637,916
Reserves	16	957,539	320,655
Retained profits / (accumulated losses)	17	(2,114,483)	(647,647)
TOTAL EQUITY		6,788,173	1,310,924

The Balance Sheet should be read in conjunction with the Notes to the Financial Statements.

Statement of Changes in Equity for the year ended 30 June 2009

	Issued Capital	Accumulated Losses	Reserves	Total
	\$	\$	\$	\$
Balance at 1 July 2007	1,010,001	7,836	-	1,017,837
Issue of share capital	759,743	-	-	759,743
Share issue costs	(131,828)	-	30,400	(101,428)
Issue of options	-	-	290,255	290,255
Profit/(loss) for the year	-	(655,483)	-	(655,483)
Total income and expense for the year attributable to equity holders	627,915	(655,483)	320,655	293,087
Balance at 30 June 2008	1,637,916	(647,647)	320,655	1,310,924
Issue of share capital	7,000,000	-	-	7,000,000
Share issue costs	(692,799)	-	90,900	(601,899)
Issue of options	-	-	545,984	545,984
Profit/(loss) for the year	-	(1,466,836)	-	(1,466,836)
Total income and expense for the year attributable to equity holders	6,307,201	(1,466,836)	636,884	5,477,249
Balance at 30 June 2009	7,945,117	(2,114,483)	957,539	6,788,173

The Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Cash Flow Statement For the year ended 30 June 2009

	Note	2009 \$	2008 \$
Cash Flows from Operating Activities			
Payments to suppliers and employees		(992,064)	(575,193)
Interest received		210,572	45,823
Interest paid		-	(4,280)
Net cash used in operating activities	22	(781,492)	(533,650)
Cash Flows from Investing Activities			
Security deposit (payments) / refunds		(12,000)	(50,000)
Payments for property, plant and equipment		(69,114)	(17,433)
Payments for exploration and evaluation		(1,226,872)	(500,531)
Net cash used in investing activities		(1,307,986)	(567,964)
Cash Flows from Financing Activities			
Proceeds from issue of shares		7,000,000	1,049,998
Capital raising & IPO expenses		(446,459)	(256,868)
Net cash provided by financing activities		6,553,541	793,130
Net increase/(decrease) in cash held		4,464,063	(308,484)
Cash at the beginning of the financial year		592,429	900,913
Cash at the end of the financial year	9	5,056,492	592,429

The Cash Flow Statement should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements for the year ended 30 June 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This report covers Mt Isa Metals Limited, a listed public company, incorporated and domiciled in Australia as an individual entity.

The financial report of Mt Isa Metals Limited complies with all Australian Accounting Standards (IFRS) in their entirety.

Unless otherwise stated the financial report is presented in Australian dollars which is the functional and presentation currency of the consolidated entity.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation

Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the Company to continue to adopt the going concern assumption will depend upon a number of matters including the successful raising in the future of necessary funding through debt, equity or farm-out, or the successful exploration and subsequent exploitation of the Company's tenements.

Reporting basis and conventions

The financial report has also been prepared on a historical cost basis, except for investment properties, land and buildings, plant and equipment deemed to be at fair value on transition to AIFRS, derivatives, available-for-sale financial assets and held-for-trading investments that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged. Non-current assets are measured at the lower of carrying amounts and fair value less costs to sell.

Accounting policies

(a) Revenue Recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

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

Deferred tax is calculated at the tax rates expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(c) Impairment of Assets**

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

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

(d) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

(e) Financial Instruments*Recognition and initial measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value plus transaction costs there the instrument is not classified as fair value through profit or loss. Transaction costs related to instruments classified as fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the profit or loss.

*Classification and subsequent measurement**(i) Loans and receivables*

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

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

Impairment of financial assets

At each reporting date the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of financial asset classified at fair value through profit or loss, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(f) Plant and Equipment*Plant and equipment*

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

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

The cost of fixed assets constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate portion of fixed and variable costs.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(f) Plant and Equipment (continued)***Plant and equipment (continued)*

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

Depreciation

The depreciable amount of all fixed assets is depreciated over their useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	10% - 25% Prime Cost
Computer Equipment	33.3% Prime Cost
Furniture and Office Equipment	10% - 20% Prime Cost

(g) Exploration and development expenditure

The Company has applied Accounting Standard AASB 6 *Exploration for and Evaluation of Mineral Resources*, being equivalent to IRFS 6 *Exploration for and Evaluation of Mineral Resources*.

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

A provision is raised against exploration and evaluation expenditure where the Directors are of the opinion that the carried forward net cost may not be recoverable or the right of tenure in the area lapses. The increase in the provision is charged against the results for the year. 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 has been undertaken on 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 structure, waste removal, and rehabilitation of the site in accordance with clauses of mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

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 restoration will be completed within one year of abandoning the site.

(h) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms.

(i) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(i) Employee benefits (continued)***Equity settled compensation*

The Company issues share-based compensation in the form of unlisted options. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and options granted.

(j) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(k) Share Capital

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

(l) Share-Based Payments

The Company provides benefits to employees of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions").

The fair value of options granted to employees and consultants are recognised as an employee benefit expense with a corresponding increase in equity (share option reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. Fair value is determined by an independent valuator using a Black-Scholes option pricing model. In determining fair value, no account is taken of any performance conditions other than those related to the share price of Mt Isa Metals Limited ("market conditions"). The cumulative expense recognised between grant date and vesting date is adjusted to reflect the directors' best estimate of the number of options that will ultimately vest because of internal conditions of the options, such as the employees having to remain with the company until vesting date, or such that employees are required to meet internal sales targets. No expense is recognised for options that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to the income statement. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

(m) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(n) Earnings per Share*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to members of Mt Isa Metals Limited by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(o) GST**

Revenues, expenses are recognised net of GST except where 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.

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.

(p) Accounting Standards issued but not yet effective

At the date of authorisation of the financial report, certain Standards and Interpretations were on issue but not yet effective. These Standards and Interpretations have not been adopted in the preparation of the financial report for 30 June 2009.

The company expects to first apply these Standards and Interpretations in the financial report of the company relating to the annual reporting period beginning after the effective date of each pronouncement.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the company.

(q) Comparative figures

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

(r) Approval of financial statements

The Financial Statements were approved by the Board of Directors of Mt Isa Metals Limited on 30 September 2009.

Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates – share-based payments

The Company uses estimated to determine the fair value of equity instruments issued to directors, executives and employees. Further detail of estimates used in determining the value of share-based payments is included in Note 23.

Key estimates – impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. No assets are considered impaired at year end.

Key judgements – exploration & evaluation expenditure

The Company performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

These reviews are based on detailed surveys and analysis of drilling results performed to balance date.

	Note	2009 \$	2008 \$
NOTE 2 REVENUE			
Operating activities			
- interest received	2(a)	210,572	45,823
Total revenue		210,572	45,823
(a) Interest revenue from:			
- cash at bank		210,572	45,823
Total interest revenue		210,572	45,823
NOTE 3 PROFIT/(LOSS)			
(a) Expenses			
Write-off of capitalised exploration expenditure		152,160	23,983
Share based payments (options)		545,984	-
NOTE 4 INCOME TAX EXPENSE			
The prima facie income tax on the loss is reconciled to the income tax provided in the financial statements as follows:			
Prima facie tax benefit (30%) on loss for before income tax		(440,051)	(196,645)
Add tax effect of:			
- Deferred tax not recognised on current year loss		963,691	342,554
- Other temporary differences		-	2,239
		523,640	148,148
Less tax effect of:			
- Deductible items recognised in equity		(47,123)	(7,910)
- Other temporary differences		(476,517)	(140,238)
		(523,640)	(148,148)
Income tax expense		-	-
Unrecognised deferred tax assets			
Unused tax losses		1,338,340	374,649
Deductible temporary differences		215,622	67,104
Underprovision for income tax in prior year		(31,639)	-
		1,522,323	441,753
Unrecognised deferred tax liabilities			
Assessable temporary differences		666,866	190,774
		666,866	190,774
Unrecognised deferred tax liabilities relating to the above temporary differences at 30%		-	-

There are no franking credits available to shareholders of the Company.

NOTE 5 DIRECTORS' AND EXECUTIVES' REMUNERATION

Refer to the Remuneration Report contained in the Report of the Directors for details of the remuneration paid or payable to each member of economic entity's key management personnel for the year ended 30 June 2009.

The totals of remuneration paid to key management personnel of the economic entity during the year are as follows:

	2009 \$	2008 \$
Short-term employee benefits	595,483	160,700
Post-employment benefits	36,234	6,060
Other long-term benefits	32,061	8,787
Termination benefits	-	-
Share-based payments	498,591	-
	1,162,369	175,547

(a) Share holdings of Key Management Personnel

	Balance 1 July 2008	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2009
Directors					
John Bovard	-	-	-	20,000	20,000
Peter Spiers	71,429	-	-	-	71,429
Nicholas Mather	142,858	-	-	622,858	765,716
Michele Muscillo	-	-	-	25,000	25,000
Senior Management					
Andrew Bowden	-	-	-	-	-
Duncan Cornish	107,143	-	-	215,215	322,358
Total	321,430	-	-	883,073	1,204,503

There were no shares held nominally at 30 June 2009.

	Balance 1 July 2007	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2008
Directors					
John Bovard	-	-	-	-	-
Peter Spiers	-	-	-	71,429	71,429
Nicholas Mather	-	-	-	142,858	142,858
Michele Muscillo	-	-	-	-	-
Senior Management					
Andrew Bowden	-	-	-	-	-
Duncan Cornish	-	-	-	107,143	107,143
Total	-	-	-	321,430	321,430

There were no shares held nominally at 30 June 2008.

(b) Option holdings of Key Management Personnel

	Balance 1 July 2008	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2009
Directors					
John Bovard	-	500,000	-	-	500,000
Peter Spiers	47,619	3,700,000	-	-	3,747,619
Nicholas Mather	190,478	500,000	-	-	690,478
Michele Muscillo	-	500,000	-	-	500,000
Senior Management					
Andrew Bowden	-	500,000	-	-	500,000
Duncan Cornish	821,430	500,000	-	* (750,000)	571,430
Total	1,059,527	6,200,000	-	(750,000)	6,509,527

* During the year 750,000 unlisted \$0.25 options, previously issued to Duncan Cornish as remuneration, expired.

NOTE 5 DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)**(b) Option holdings of Key Management Personnel (continued)**

	Balance 1 July 2007	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2008
Directors					
John Bovard	-	-	-	-	-
Peter Spiers	-	-	-	47,619	47,619
Nicholas Mather	-	-	-	190,478	190,478
Michele Muscillo	-	-	-	-	-
Senior Management					
Andrew Bowden	-	-	-	-	-
Duncan Cornish	750,000	-	-	71,430	821,430
Total	750,000	-	-	309,527	1,059,527

(c) Loans to Key Management Personnel

There were no loans to Key Management Personnel during the year.

(d) Other transactions to Key Management Personnel

Other transactions with Key Management Personnel are set out in Note 25. There were no other transactions or balances with Key Management Personnel during the year.

	Note	2009 \$	2008 \$
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NOTE 6 AUDITORS' REMUNERATION

Remuneration for the auditor of the parent entity for:

- auditing or reviewing the financial report	18,514	12,500
- Independent Accountants Report for prospectus	7,055	9,500
	25,569	22,000

NOTE 7 DIVIDENDS & FRANKING CREDITS

There were no dividends paid or recommended during the financial year.

There were no franking credits available to the shareholders of the Company.

	Note	2009 \$	2008 \$
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NOTE 8 EARNINGS PER SHARE**(a) Reconciliation of Earnings to Profit or Loss**

Earnings used to calculate basic and dilutive EPS	(1,466,836)	(655,483)
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	2009 Number	2008 Number
(b) Weighted average number of ordinary shares outstanding during the year	99,626,712	63,208,462
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	99,626,712	63,208,462

	Note	2009	2008
		\$	\$

NOTE 9 CASH & CASH EQUIVALENTS

Cash on hand and at bank	5,056,492	592,429
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NOTE 10 TRADE & OTHER RECEIVABLES**Current**

GST receivable	92,207	50,829
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NOTE 11 PLANT & EQUIPMENT**Plant and equipment**

At cost	40,131	12,771
Accumulated depreciation	(5,104)	(1,813)
	35,027	10,958

Computer equipment

At cost	35,912	4,662
Accumulated depreciation	(8,339)	(641)
	27,573	4,021

Furniture and office equipment

At cost	10,504	-
Accumulated depreciation	(477)	-
	10,027	-

Total plant and equipment	72,627	14,979
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(a) Movements in carrying amounts

	Plant and equipment	Computer equipment	Furniture and office equipment	Total
	\$	\$	\$	\$
Balance at the beginning of the year	10,958	4,021	-	14,979
Additions	27,360	31,250	10,504	69,114
Disposals	-	-	-	-
Depreciation expense	(3,291)	(7,698)	(477)	(11,466)
Carrying amount at the end of the year	35,027	27,573	10,027	72,627

	Note				2009		2008
					\$		\$

NOTE 12 EXPLORATION AND EVALUATION EXPENDITURE**Non-Current**

Exploration and evaluation expenditure capitalised

- exploration and evaluation phases	2,222,888	594,494
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Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and extraction of Iron Oxide Copper Gold ("IOCG"), Uranium and Phosphate mineralisation.

(a) Movements in carrying amounts

Balance at the beginning of the year	594,494	168,450
Additions	1,780,554	450,027
Written-off	(152,160)	(23,983)
Carrying amount at the end of the year	2,222,888	594,494

	Note				2009		2008
					\$		\$

NOTE 13 OTHER ASSETS**Current**

Prepayments	10,307	207,095
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Non-Current

Security deposits	74,500	62,500
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NOTE 14 TRADE & OTHER PAYABLES**Current**

Trade payables	614,547	116,307
Sundry payables and accrued expenses	105,960	86,308
Employee benefits	20,341	8,787
	740,848	211,402

	Note				2009		2008
					\$		\$

NOTE 15 ISSUED CAPITAL

103,750,000 fully paid ordinary shares (2008: 68,750,000)					8,769,744		1,769,744
Share issue costs					(824,627)		(131,828)
					7,945,117		1,637,916

The Company has authorised share capital amounting to 103,750,000 ordinary shares of no par value.

	Note				2009		2008
					Number		Number

(a) Ordinary shares

At the beginning of the year					68,750,000		24,500,000
Shares issued during the year							
- 2 July 2007 (1)					-		489,810
- 11 February 2008 (2)					-		37,484,715
- 19 May 2008 (3)					-		6,275,475
- 13 August 2008 (4)					35,000,000		-
At reporting date					103,750,000		68,750,000

(1) On 2 July 2007, 489,810 shares and 326,540 attaching options were issued pursuant to a Share Placement Agreement. The attaching options were exercisable at \$0.50 each on or before 31 May 2012.

(2) On 11 February 2008 the share capital of the Company was converted into a larger number of ordinary shares on the basis that every 1 ordinary share be sub-divided into 2.5 ordinary shares.

(3) On 19 May 2008 6,275,475 shares and 4,183,650 attaching options were issued. The attaching options are exercisable at \$0.20 each on or before 31 May 2012.

(4) On 13 August 2008, 35,000,000 shares were issued pursuant to an Initial Public Offering, raising \$7 million

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Options

For information relating to the Mt Isa Metals Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end refer to Note 23.

(c) Capital Risk Management

Management controls the capital of the Company in order to provide capital growth to shareholders and ensure the Company can fund its operations and continue as a going concern.

The Company's capital includes ordinary share capital. There are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management share issues.

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

	Note	2009 \$	2008 \$
NOTE 16 RESERVES			
Option Reserve – capital raising		411,555	320,655
Option Reserve – director and employee options		545,984	-
		957,539	320,655

The option reserve (capital raising) records the value of options issued as part of capital raisings.

The option reserve (director and employee options) records items recognised as expenses on valuation of director and employee share options.

NOTE 17 RETAINED PROFITS / ACCUMULATED LOSSES

Accumulated losses attributable to members of Mt Isa Metals Limited at beginning of the financial period	(647,647)	7,836
Losses from ordinary activities after income tax	(1,466,836)	(655,483)
Accumulated losses attributable to members of Mt Isa Metals Limited at the end of the financial period	(2,114,483)	(647,647)

NOTE 18 COMMITMENTS

(a) Future Exploration

The Company has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Company.

The commitments to be undertaken are as follows:

Payable		
- not later than 12 months	1,525,883	1,273,513
- between 12 months and 5 years	6,760,586	6,383,467
- greater than 5 years	-	-
	8,286,469	7,656,980

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Company has the option to negotiate new terms or relinquish the tenements. The Company also has the ability to meet expenditure requirements by joint venture or farm-in agreements.

On 29 September 2009 the Company reached agreement with Legend International Holdings, Inc to exit from the D-Tree Joint Venture, therefore commitments totalling \$240,000 included above no longer exist. Further details regarding the Company's exit from D-Tree joint venture are included in Notes 19 and 24.

NOTE 19 JOINT VENTURES

The Company has a 49% interest in a joint venture arrangement for EPMs 16112 and 16197. The other party to the joint venture is Syndicated Metals Limited. The economic entity's share of the expenditure commitment for this joint venture over the next 5 years is \$550,000 which has been recognised in Note 18 Commitments.

As at 30 June 2009, the Company had a 20% interest in a joint venture arrangement for EPMs 14753 and 15763 and applications EPMA's 17333, 17437, 17443, 17446 and MLA 90190. The other party to the joint venture was Legend International Holdings, Inc.

On 29 September 2009 the Company reached agreement with Legend to exit from the D-Tree Joint Venture.

Legend, as manager of the D-Tree Joint Venture, had invoiced the Company \$1.739 million for the Company's 20% interest in the D-Tree project for the period 1 September 2008 - 30 June 2009. The Company decided to dilute rather than pay the invoices and in accordance with the Joint Venture agreement, the Company's interest has been reduced to less than 5%, thus requiring the Company to exit the Joint Venture.

Further to the above, the Company has agreed to a royalty of A\$0.50 per tonne from any future phosphate product derived from the former D-Tree Joint Venture tenements.

NOTE 20 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The directors are not aware of any significant contingent liabilities or contingent assets at the date of this report.

NOTE 21 SEGMENT REPORTING

The Company operates predominantly in one business and geographical segment being in the mineral exploration industry in Australia. No revenue from this activity has been earned to date as the Company is still in the exploration and evaluation stage.

Note	2009	2008
	\$	\$

NOTE 22 CASH FLOW INFORMATION**(a) Reconciliation of cash flow from operations with profit/(loss) after income tax**

Profit/(loss) after income tax	(1,466,836)	(655,483)
Non-cash flows in profit after income tax:		
Depreciation	11,466	1,866
Write back of capitalised expenditure	152,160	23,983
Share options expensed	545,984	-
Changes in assets and liabilities net of the effects of purchase and disposal of subsidiaries:		
- (Increase)/Decrease in trade and term receivables	(41,377)	(44,775)
- (Increase)/Decrease in other assets	(10,307)	-
- Increase/(Decrease) in trade payables and accruals	15,864	140,759
- Increase/(Decrease) in provisions	11,554	-
Cash flow from operations	(781,492)	(533,650)

NOTE 23 SHARE-BASED PAYMENTS

The following share based payment arrangements existed at 30 June 2009.

(a) Share-based payments to directors, executives and employees

During the year the following options were issued to directors, senior management and employees of the Company:

- 3,700,000 \$0.20 options expiring 20 August 2011 issued to the Managing Director, Peter Spiers;
- 1,500,000 \$0.25 options expiring 20 August 2011 issued to the Non-Executive Directors; and
- 1,300,000 \$0.25 options expiring 30 June 2012 issued to Senior Management and employees.

Also during the year 3,000,000 \$0.25 options expired.

	2009		2008	
	No. of options	Weighted average exercise price \$	No. of options	Weighted average exercise price \$
Outstanding at beginning of year	3,000,000	0.25	1,200,000	0.25
Granted	6,500,000	0.22	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	(3,000,000)	0.25		
Sub-division	-	-	1,800,000	0.25
Outstanding at year-end	6,500,000	0.22	3,000,000	0.25
Exercisable at year-end	6,500,000	0.22	3,000,000	0.25

The options outstanding at 30 June 2009 had a weighted average exercise price of \$0.22 (2008: \$0.25) and weighted average remaining contractual life of 2.31 years (2008: 0.75 years). Exercise prices range from \$0.20 to \$0.25 in respect of options outstanding at 30 June 2009 (2008: \$0.25).

Pursuant to the Company's, Incentive Option Scheme, if an employee ceases to be any employed by the Company then options will expire three months from the date employment ceases.

The weighted average fair value of the options granted during the year was \$0.09 (2008: \$0). This price was calculated by using a Black Scholes options pricing model applying the following inputs:

Weighted average exercise price	\$0.22
Weighted average life of the option	3 years
Underlying share price	\$0.20
Expected share price volatility	65.44%
Risk free interest rate	5.99%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate. The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

The expected life of the options has been taken to be the full period of time from grant date to expiry date. The options pricing model assumes that options will be exercised on or immediately before the expiry date.

The settlement method for the above options is on a 1:1 basis. During the year no options were exercised into ordinary shares.

Included under Employee Benefits Expense in the Income Statement is \$545,984 (2008: nil), and relates to, in full, to equity-settled share-based payment transactions.

NOTE 23 SHARE-BASED PAYMENTS (continued)**(b) Other share-based payments**

During the year the Company issued 900,000 \$0.20 options expiring 31 May 2012 to the underwriter to the Initial Public Offering.

The weighted average fair value of the underwriter options granted during the year was \$0.10. This price was calculated by using a Black Scholes options pricing model applying the following inputs:

Weighted average exercise price	\$0.20
Weighted average life of the option	3.78 years
Underlying share price	\$0.20
Expected share price volatility	60.00%
Risk free interest rate	6.18 %

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate. The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

The expected life of the options has been taken to be the full period of time from grant date to expiry date. The options pricing model assumes that options will be exercised on or immediately before the expiry date.

The settlement method for the above options is on a 1:1 basis. During the year no underwriter options were exercised into ordinary shares.

Included under as a Share Issue Cost within Issued Capital in the Balance Sheet is \$90,900 which relates to the options issued to the underwriter of the Initial Public Offering.

NOTE 24 EVENTS AFTER BALANCE DATE

On 24 April 2009, the Company entered into a joint venture agreement with Legend International Holdings, Inc. (Legend) in relation to the D-Tree phosphate deposit.

On 29 September 2009 the Company reached agreement with Legend to exit from the D-Tree Joint Venture.

Legend, as manager of the D-Tree Joint Venture, had invoiced the Company \$1.739 million for the Company's 20% interest in the D-Tree project for the period 1 September 2008 to 30 June 2009. The Company decided to dilute rather than pay the invoices and in accordance with the Joint Venture agreement, the Company's interest has been reduced to less than 5%, thus requiring the Company to exit the Joint Venture.

Further to the above, the Company has agreed to a royalty of A\$0.50 per tonne from any future phosphate product derived from the former D-Tree Joint Venture tenements.

There have been no events since 30 June 2009 that impact upon the financial report as at 30 June 2009.

NOTE 25 RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Parent and ultimate controlling entity

At 30 June 2009, the parent entity and ultimate controlling entity is Mt Isa Metals Limited, which is incorporated in Australia.

Prior to the completion of the Initial Public Offering in August 2008, the parent and ultimate controlled entity was D'Aguilar Gold Ltd.

(b) Key management personnel

Disclosures relating to key management personnel are set out in the Remuneration Report contained in the Directors' Report.

(c) Transactions with directors and director-related entities

- (i) The Company has a Services Agreement with D'Aguilar Gold Limited under which D'Aguilar has agreed to provide certain corporate and administrative services to the Company. Nicholas Mather (a Director) is a director of D'Aguilar.

Prior to quotation of the Company's shares on ASX, D'Aguilar was entitled to be reimbursed for the direct expenses it incurs in providing the services to the Company.

Under the Services Agreement, D'Aguilar grants a non-exclusive licence to the Company for the term of the agreement to occupy its premises for the purpose of the Company conducting its business.

The Services Agreement commences from the date of incorporation of the Company up to the Completion of the IPO and then continues for a period of one year from the date the Company's Shares are first quoted on ASX.

The Company must carry out a review of the performance of D'Aguilar's every three months from the commencement date and, if the Company is not satisfied with D'Aguilar's performance, the Company may terminate the Services Agreement by notice in writing to D'Aguilar.

Either party may terminate the Services Agreement by giving three months notice in writing to the other party of its intention to do so. The Company is also entitled to terminate the agreement upon the happening of various events in respect of D'Aguilar's solvency or other conduct.

During the year ended 30 June 2009 \$131,883 (2008: nil) has been incurred from D'Aguilar under the service agreement. An amount of \$22,580 (2008: nil) was owing to D'Aguilar under the Service Agreement at 30 June 2009.

- (iii) Mr Michele Muscillo, a non-executive director of the Company, is a Partner with Hopgood Ganim Lawyers, the Company's legal advisers.

During the financial year the company incurred legal expenses of \$79,257 (2008: \$117,117) from Hopgood Ganim Lawyers. An amount of \$1,161 (2008: \$46,371) was owing to Hopgood Ganim Lawyers in relation to legal expenses at 30 June 2009.

- (d) Share and Option transactions of Directors and Director-Related Entities are shown in Note 5 of the Financial Statements.

- (e) Details of transactions and balances in relation to joint ventures are shown in Note 19 of the Financial Statements.

NOTE 26 FINANCIAL RISK MANAGEMENT**(a) General objectives, policies and processes**

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Company's financial instruments consist mainly of deposits with banks, security deposits and accounts payable.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Company's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Company where such impacts may be material.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

(b) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Company incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Company. The Company's objective is to minimise the risk of loss from credit risk exposure.

The Company's maximum exposure to credit risk, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset at reporting date is the carrying amount of those assets as indicated in the Balance Sheet.

Credit risk is reviewed regularly by the Board and the audit committee. It arises from exposure to customers (trade receivables) as well as through deposits with financial institutions.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company. No receivables balances were past due or impaired at year end.

(c) Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties raising funds to meet financial obligations as they fall due. The object of managing liquidity risk is to ensure, as far as possible, that the Company will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions.

Liquidity risk is reviewed regularly by the Board and the audit committee.

The Company manages liquidity risk by monitoring forecast cash flows and liquidity ratios such as working capital. The Company's working capital, being current assets less current liabilities has increased from \$638,951 in 2008 to \$4,418,158 in 2009.

NOTE 26 FINANCIAL RISK MANAGEMENT**(c) Liquidity Risk (continued)**

	Carrying Amount	Contractual Cash flows	<6 months	6 – 12 months	1 – 3 years	>3 years
MATURITY ANALYSIS – 2009						
Financial Liabilities						
Trade and other payables	740,848	740,848	740,848	-	-	-
Commitments	-	8,758,669	-	1,593,283	4,067,818	3,097,568
Total	740,848	9,499,517	740,848	1,593,283	4,067,818	3,097,568

MATURITY ANALYSIS – 2008**Financial Liabilities**

Trade and other payables	211,402	211,402	211,402	-	-	-
Commitments	-	7,656,980	-	1,273,513	2,822,609	3,560,858
Total	211,402	7,868,382	211,402	1,273,513	2,822,609	3,560,858

Further information regarding commitments is included in Note 18.

(d) Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). The entity does not have any material exposure to market risk other than interest rate risk.

(i) Interest rate risk

Interest rate risk arises principally from cash and cash equivalents. The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters while optimising the return.

Interest rate risk is managed with a mixture of fixed and floating rate debt. For further details on interest rate risk refer to the tables below:

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
	2009	2009	2009	2009	2009
	\$	\$	\$	\$	%
<i>Financial assets</i>					
Cash and cash equivalents	5,056,492	-	-	5,056,492	4.00%
Loans and receivables	-	-	92,207	92,207	-
Financial assets	-	74,500	-	74,500	2.20%
Total financial assets	5,056,492	74,500	92,207	5,223,199	
<i>Financial liabilities</i>					
Trade and other payables	-	-	740,848	740,848	-
Total financial liabilities	-	-	740,848	740,848	-

NOTE 26 FINANCIAL RISK MANAGEMENT (continued)**(d) Market Risk (continued)***(i) Interest rate risk (continued)*

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
	2008	2008	2008	2008	2008
	\$	\$	\$	\$	%
<i>Financial assets</i>					
Cash and cash equivalents	592,429	-	-	592,429	5.00%
Loans and receivables	-	-	50,829	50,829	-
Financial assets	-	62,500	-	62,500	2.20%
Total financial assets	592,429	62,500	50,829	705,758	
<i>Financial liabilities</i>					
Trade and other payables (current)	-	-	211,402	211,402	-
Total financial liabilities	-	-	211,402	211,402	

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk. This sensitivity demonstrates the effect on the current year results and equity which could result from a change in these risks.

At 30 June 2009 the effect on profit and equity as a result of changes in the interest rate would be as follows:

	Note	2009	2008
		\$	\$
Change in profit			
- Increase in interest rate by 1%		2,106	458
- Decrease in interest rate by 1%		(2,106)	(458)
Change in equity			
- Increase in interest rate by 1%		2,106	458
- Decrease in interest rate by 1%		(2,106)	(458)

The above analysis assumes all other variables remain constant.

(e) Net Fair Values

The net fair values of trade and other receivables, security deposits and trade and other payables approximate their carrying value.

Declaration by Directors

The directors of the company declare that:

1. The financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date.
2. 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.
3. The remuneration disclosures included in pages 20 to 24 of the directors' report (as part of audited Remuneration Report) for the year ended 30 June 2009, comply with section 300A of the *Corporations Act 2001*.
4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Peter Spiers
Director

Brisbane
30 September 2009



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Independent Audit Report to the Members of Mt Isa Metals Limited

Report on the Financial Report

We have audited the accompanying financial report of Mt Isa Metals Limited, 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.

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

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

Independence

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Mt Isa Metals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 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 1.

Emphasis of Matters on Going Concern and Carrying Value of Exploration Expenditure

Without qualification to the opinion expressed above, we draw attention to the matters set out in Note 1. The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and realisation of assets and discharge of liabilities in the ordinary course of business. This includes the realisation of capitalised exploration expenditure of \$2,222,888 (30 June 2008: \$594 494) as summarised in Note 12. The ability of the company to maintain continuity of normal business activities, to pay its debts as and when they fall due and to recover the carrying value of their areas of interest, is dependent upon the ability of the company to successfully raise additional capital and/or the successful exploration and subsequent exploitation of their areas of interest through sale or development.

No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the company's plans not eventuate.

Report on Remuneration Report

We have audited the Remuneration Report included in 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.

Auditor's Opinion

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

BDO Kendalls (QLD)

D P Wright
Partner

Brisbane
30 September 2009

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Mt Isa Metals