METALS AUSTRALIA LTD

ABN 38 008 982 474

ANNUAL REPORT 2008

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SECURITIES EXCHANGE LISTING

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Home Exchange: Perth, Western Australia

ASX code for shares: MLS

Contents

Review of Operations

NAMIBIA – EXPLORATION ACTIVITIES

Metals Australia ('Metals') holds two strategically located uranium projects in Namibia, southwest Africa. The Mile 72 & Engo Valley uranium projects have had little or no exploration undertaken on them in the past twenty years, prior to the involvement of Metals. Both projects show significant potential to host economic uranium mineralisation and are reviewed below:

1. MILE 72 URANIUM PROJECT (EPL 3308)

The Mile 72 project is located on the central coast of Namibia, within the Erongo province, approximately 30 kilometres to the north of the coastal town of Henties Bay (see left). The Erongo region hosts many of the well-known uranium deposits in Namibia, including Rossing (Rio Tinto), Langer Heinrich (Paladin), Valencia (Forsys) and Trekkoppe (Areva).

Metals' has completed an extensive exploration programme during the year that has included mapping, geophysical surveys, rock chipping, and trenching. This work programme has resulted in a large number of high-grade uranium assays, with geophysical surveys indicating that Mile 72 represents an extensive, and as yet largely untested, mineralised system.

1.1 EXPLORATION HISTORY

In the 1970s a surge in the uranium price accelerated worldwide exploration for the energy metal. In Namibia, South African-based General Mining & Finance Corporation ('Gencor') conducted an extensive 'roadside' ground radiometric programme with a view to locating near surface mineralisation.

Radiometric surveys in the Mile 72 region detected anomalous radioactivity associated with underlying granitic units. Exploration progressed in the region and resulted in the discovery of the Mile 72 deposit (386,000 tonnes @ 0.023% U3O8, Non-JORC), which is located more than seven kilometres to the southeast of Metals' current project area (see Figure 3).

Gencor found that the mineralisation at Mile 72 was associated with carnotite, and minor uraninite, which is leached from the underlying stratigraphy, primarily in the granites and alaskites. Further investigation found that the mineralisation has been emplaced within gypsum and calcite fracture infill, due to weathering of the stratigraphy and evaporitic processes.

The area covered by Metals' tenement (EPL 3308) was regarded as not being prospective for uranium, however Strathmore Mining explored it for tin. It was not until Metals' exploration team began to remove the surface cover at Mile 72 that the potential of the project was recognised.

1.2 GEOLOGY OF MILE 72

1.2.1 STRATIGRAPHY

The Mile 72 uranium project lies within a small depression on the central Namibian coast. A veneer of aeolian sand and alluvial gravels, of varying thickness, covers much of the Mile 72 project area. This cover masks the radiometric and geochemical signature of the underlying geology.

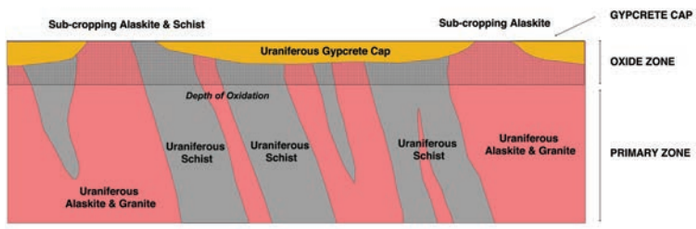
The basement stratigraphy is composed of Khomas Subgroup sediments, namely quartzites & micaeous schists. These sediments have been intruded by several generations of 'granite' and dolerite. The granitic units vary in mineralogy but include granites, pegmatites and alaskites. Primary uraniferous minerals are associated with the alaskites at Mile 72. This indicates that the deeper mineralisation may be similar in nature to that found at Rossing, Valencia and Goanikontes.

1.2.2 MINERALISATION

Uranium mineralisation at Mile 72 is associated with a number of units within the stratigraphy, including metasediments, granites and dolerites. The style of mineralisation encountered at the Mile 72 occurrences also points to a primary source of mineralisation, namely from the alaskites.

The reconnaissance mapping, sampling, prospecting and trenching undertaken at the Kudu prospect indicates that uranium mineralisation is found in two zones. Mineralisation in the gypcrete cap/oxide zone is recognized as carnotite (uranium oxide) and a variety of uranium hydroxides, whilst the primary mineralisation in the alaskites appears to be associated with uraninite.

A conceptual cross-sectional model of the Kudu prospect geology and uranium mineralisation is illustrated below:



The 'model' can also be seen in miniature within the trenches, with the alaskites being the lighter coloured rock (see below):

The recognized zones of mineralisation at Mile 72 are as follows:

OXIDE ZONE

The oxide zone at Mile 72 is a layer that extends from surface up to 4-5 metres depth. The oxidised mineralisation usually consists of either, fractured and variably weathered schist, or granite/alaskite. This oxide material contains varying amounts of gypsum, occurring as either a replacement of the original lithologies, or as fracture infill.

Sampling of the oxide zone has returned grades of **greater than 2% Uranium Oxide**, with mineralisation observed as carnotite (uranium hydroxide) associated with the gypsum as well as alaskitic and granitic intrusives. This zone has the potential to host a **significant shallow high-grade uranium oxide deposit.**

PRIMARY ZONE

The pitting and trenching undertaken by Metals indicates that the uranium mineralisation at Mile 72 most likely originates from a primary or bedrock source. The primary source is most probably from the granite-alaskite complex that has intruded the country rocks within the project area, namely Khomas sediments and schists.

The alaskites in the project area have returned assays of over 2,000 ppm (0.20%) uranium oxide. Limited sampling of the country rock shows that these lithologies are also mineralised, with assays of more than 200 ppm (0.02%) uranium oxide.

1.3 GEOPHYSICAL EXPLORATION

The Mile 72 project has now been the subject of several phases of geophysical exploration. This type of exploration has been essential at Mile 72 due to the 'buried' nature of the geology and mineralisation. The various geophysical surveys undertaken are as follows:

1.3.1 GROUND RADIOMETRICS

In the early stages of exploration at Mile 72 it was determined that extensive aeolian and alluvial cover blanketed much of the tenement area. A regional programme of radiometrics was devised, utilizing 500 metre line spacing and radiometric readings taken from shallow pits at 500 metre spacing along the lines (See Figure 1).

The programme was successful in highlighting two target areas along the southern tenement boundary, where the cover is thinnest, namely the Kudu and Impala prospects. These prospects cover more than 11 kilometres of strike and have been the focus of the company's exploration in 2007-2008.

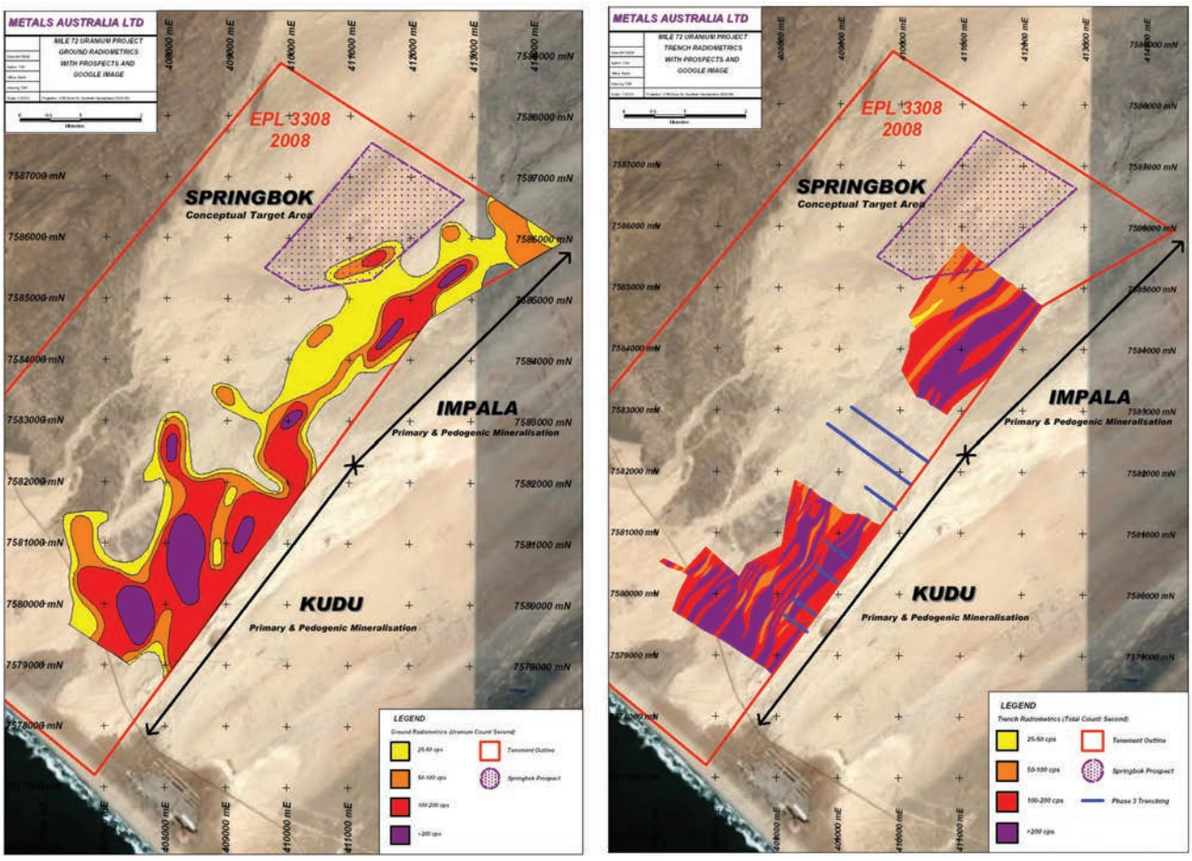


Figure 1

1.3.2 AIRBORNE RADIOMETRICS & MAGNETICS

A detailed airborne radiometric and magnetic survey was acquired over the project area utilising a fixed wing aircraft, at 200 metre line spacing, 80 metre sensor height, with radiometric readings taken every second. The sand and gravel covering much of the tenement resulted in a subdued airborne radiometric signature, in comparison to the ground radiometrics, but had no effect on the magnetic data.

In order to allow better interpretation of the airborne data a programme of reconnaissance mapping was also undertaken.

1.3.3 TRENCH RADIOMETRICS

Radiometric surveying of the trenching has shown a good correlation between the geology and the radiometrics. The radiometric sampling highlights the uraniferous alaskitic units and will assist in targeting future exploration, particularly drilling.

A comparison between the earlier ground radiometrics, and the trench radiometrics (See Figure 1) highlights the effect that the gravel and sand cover has in 'blanketing' the signature of the uranium mineralisation. The trench radiometrics clearly show a higher-level response than the ground radiometrics and also indicate that the mineralisation continues beneath the cover to the north of both Kudu and Impala. These target areas will be tested through both infill trenching and drilling as part of the continuing exploration programme.

1.4 RECONNAISANCE SAMPLING

Several phases of sampling have been undertaken at Mile 72, following the discovery of high-grade, near surface mineralisation in 2007. Reconnaissance sampling covers the Kudu and Impala prospects on the southeastern boundary of the tenement and has returned highly significant results (see Figure 2). A summary of this sampling is provided below:

1.4.1 KUDU SAMPLING

The Kudu anomaly extends over 11 square kilometres covering a strike length of approximately 5.5 kilometres and a width of over 2 kilometres. The anomaly shows peak radiometric values of over 5,000 uranium counts per second.

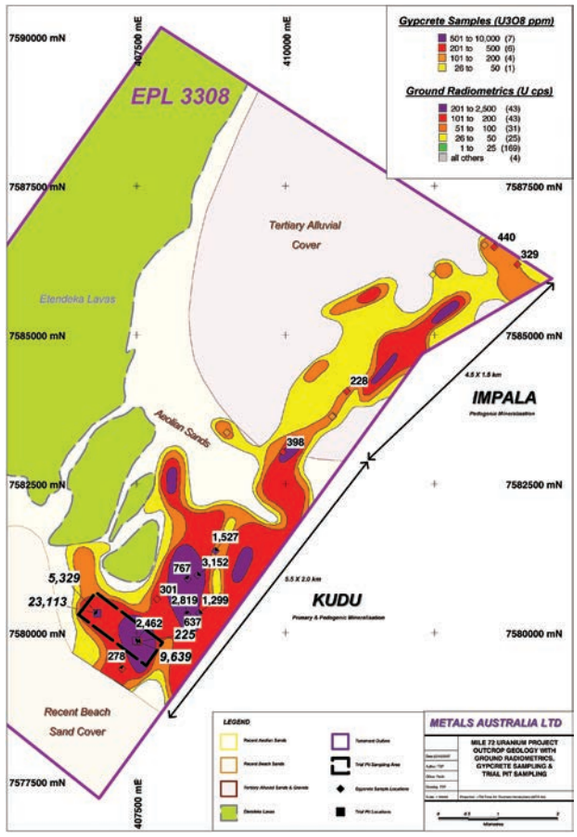


Figure 2

Initial sampling over the Kudu anomaly returned a significant number of 'high-grade' assays. These samples were often in excess of 1,000 ppm (0.1%) U3O8, with the highest assayed sample (from the first phase of gypcrete sampling) returning a result of **3,152 ppm U3O8.**

Sample No	U3O8 ppm	U3O8 %
M72 KDU 001	398	0.040
M72 KDU 002	359	0.036
M72 KDU 003	1,527	0.153
M72 KDU 004	2,632	0.263
M72 KDU 005	3,152	0.315
M72 KDU 006	1,299	0.130
M72 KDU 007	2,462	0.246
M72 KDU 008	278	0.028

Samples were analysed via XRF by Genalysis Perth.

A detailed geological assessment of the prospect revealed that a thin veneer of wind-blown sand and gravel covers the Kudu prospect. This cover was cleared at each sample site to allow radiometric and geochemical sampling. The underlying regolith is a layer of gypcrete, overlying a fractured basement of schist, granite and alaskite.

In early 2008 further sampling was undertaken at Kudu in an effort to penetrate deeper into the weathering profile and determine the primary source of the mineralisation. A number of small pits were dug to around one metre deep and samples taken for assay. The samples showed an increase in the grade of the uranium mineralisation at depth within the gypcrete layer and have returned **a number of outstanding high-grade assays**, with the highest assayed sample returning a result of **23,113 ppm (2.31%) Uranium Oxide**.

Sample No	U3O8 ppm	U3O8 %	Geology
M72 KDUP 001	5,329	0.53	Gypcrete
M72 KDUP 002	23,113	2.31	Gypcrete
M72 KDUP 003	225	0.02	Basement Schist
M72 KDUP 004	9,639	0.96	Gypcrete/ Schist

Samples were analysed via XRF by Genalysis Perth.

1.4.2 IMPALA SAMPLING

The Impala anomaly extends over 6.75 square kilometres covering a strike length of approximately 4.5 kilometres and a width of over 1.5 kilometres. The anomaly shows peak radiometric values of over 1,000 uranium counts per second. Previous reconnaissance sampling has generated samples of up to 440 ppm U3O8.

The initial sampling over the Impala prospect returned a number of assays in excess of 150 ppm (0.015%) U3O8. The highest assay returned being **455 ppm U3O8**.

Sample No	U3O8 ppm	U3O8 %
M72 IMP 001	455	0.046
M72 IMP 002	228	0.023
M72 IMP 003	156	0.016
M72 IMP 004	120	0.012
M72 IMP 005	153	0.015

Samples were analysed via XRF by Genalysis Perth.

The Impala prospect is partially covered by deep eluvial-alluvial sand and gravel terraces, which partially mask the surface expression of the anomaly. However the surface sampling continues to highlight the mineralised trend through this prospect, which appears to be similar in size to the Kudu prospect in the south.

The success of the sampling at both Kudu and Impala resulted in the initiation of an extensive trenching programme at Mile 72, which is described below.

1.5 TRENCHING

Reconnaissance sampling at Mile 72 demonstrated that the sand and gravel cover not only obscured the underlying geology but also the uranium mineralisation. A programme of trenching was initiated to remove this cover and allow geological mapping and sampling to be undertaken.

Several phases of trenching have now been completed at Mile 72, covering both the Kudu and Impala prospects (see Figure 3). Exploration activities within the trench areas have included:

- Radiometrics (Summarized in section 1.3.)
- Mapping
- Sampling

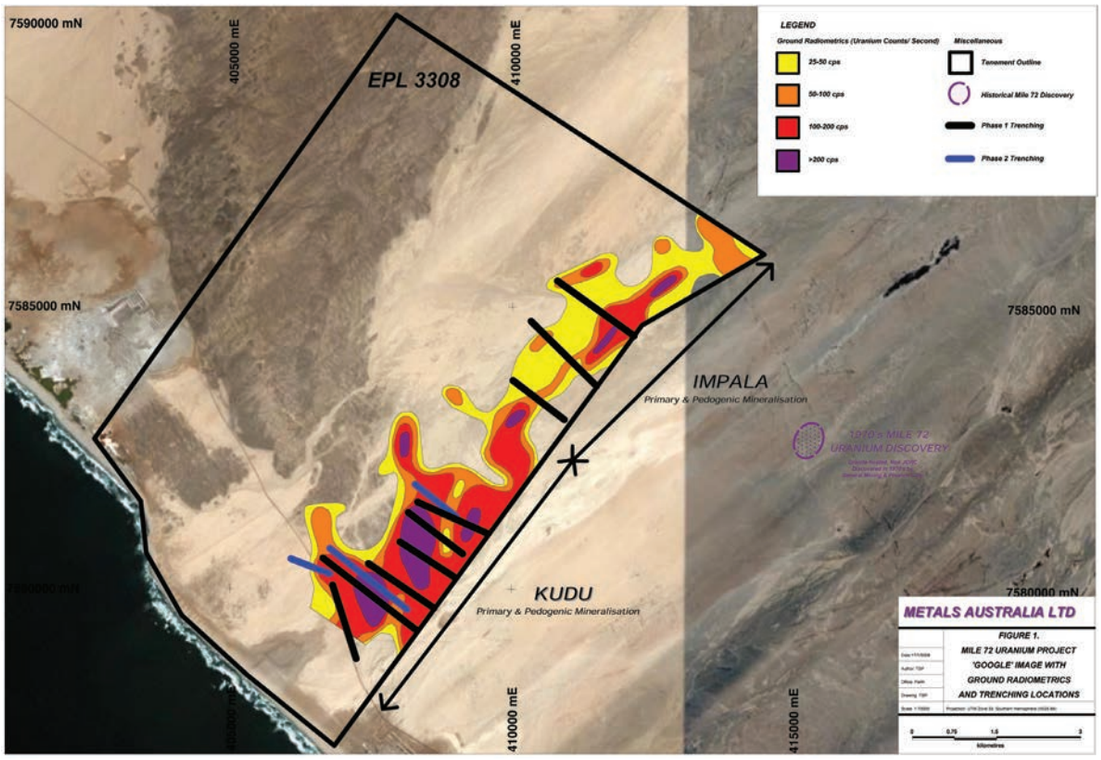


Figure 3

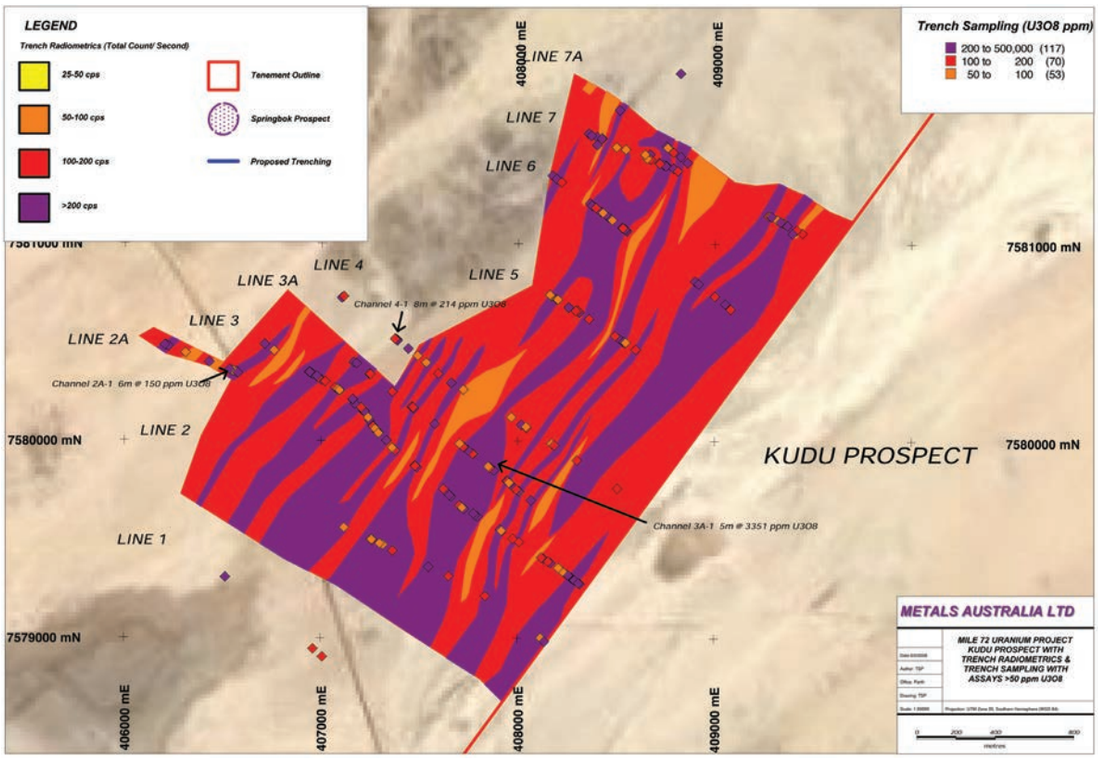


Figure 4

Sampling of the trenches has been undertaken as follows:

1.5.1 SPOT SAMPLING

Spot sampling was undertaken within the trenches in areas of high radiometric response. Sampling shows widespread mineralisation throughout the Kudu area, with a number of samples grading **over 5,000 ppm (0.5%) uranium oxide** (see Figure 4). Results from the Kudu sampling include:

Sample No.	Trench No.	U3O8 ppm	U3O8 %	Th ppm
G1616	2A	2,348	0.235	13
G1623	2A	2,425	0.242	15
G1624	2A	5,251	0.525	24
G1249	3A	2,326	0.233	18
G1239	3A	3,351	0.335	24
F1698	3	3,796	0.379	21
G1275	5	2,406	0.241	13
G1284	5	2,636	0.264	14
G1292	5	2,765	0.276	18
G1545	6	2,690	0.269	19
G1536	6	5,119	0.512	29
G1540	6	5,413	0.541	27
G1554	7	3,341	0.334	19
G1576	7	3,920	0.392	17
G1586	7	4,438	0.444	22

The sampling across the Kudu trenches was designed to verify the radiometric response against the geochemical assays. The majority of samples were taken in areas of high radiometric response (greater than 500 cps) although a number of samples were taken in areas of low response to test the background mineralisation levels of the area. A total of 358 samples were taken throughout the trenches, with more than 50% of those samples returning **assays in excess of 100 ppm uranium oxide**.

Both the intrusive alaskites and the host Damaran schist carry the uranium mineralisation at Kudu. Spot sampling shows assays of up to 1,977ppm uranium oxide within the alaskites, with the highest assay from the schist being **5,413 ppm uranium oxide**. The samples also show low levels of thorium, which is also indicative of alaskitic mineralisation.

1.5.2 CHANNEL SAMPLING

In addition to the spot sampling, a limited programme of channel sampling was been undertaken at Kudu. Results from the channel sampling include (see Figure 4):

Channel 2A-1 **6 metres @ 150 ppm (0.015%) Uranium Oxide**

Channel 3A-1 **5 metres @ 3,351 ppm (0.335%) Uranium Oxide**

Channel 4-1 **8 metres @ 214 ppm (0.021%) Uranium Oxide**

It should be emphasised that **channel sampling is at an early stage** and that a more comprehensive and systematic programme of sampling will be undertaken in the coming fiscal year. The channel sampling completed to date indicates that anomalous mineralisation occurs over significant widths within both the alaskites and sediments of the Kudu prospect area.

1.6 ENVIRONMENTAL SURVEY

In May of 2008, the Namibian Ministry of Environment and Tourism ('NMET') requested that Metals complete an environmental survey of the Mile 72 lease area. The survey was requested due to increased exploration and the resulting ground disturbance from the work programme.

The survey was completed by local contractor, EnviroSolutions of Swakopmund, and submitted to the NMET in early June. The survey concluded that ground disturbance should be kept to a minimum only in the lichen fields in the northeastern tenement area. This area now largely lies outside the revised boundary of EPL 3308.

Lichen covered pebbles at Mile 72

1.7 ONGOING EXPLORATION

The exploration programme at Mile 72 will initially consist of a comprehensive channel sampling programme through the existing areas of trenching. In addition further trenching is planned between the Kudu and Impala prospects.

It is Metals' aim in the coming year to initiate a drilling programme at Mile 72 to determine the following:

- Oxide Resources – a programme of shallow drilling to determine the depth and extents of the high-grade mineralisation in the oxide zone.
- Primary Mineralisation – deeper drilling will be undertaken in a number of areas to determine the depth potential of the alaskite hosted mineralisation at Mile 72.

Metals considers the Mile 72 uranium project to be a significant opportunity for the company and looks forwards to another successful year of exploration ahead.

2. ENGO VALLEY URANIUM PROJECT (EPL 3306)

The Engo Valley project is located on the northwest coast of Namibia, in the Skeleton Coast National Park. The project is accessed via the road to the defunct Cape Fria Radio Station and covers an area of over 19,400 hectares. Metals' Engo Valley project lies along the southern strike extent of the known Engo Valley uranium deposits (see Figure 5).

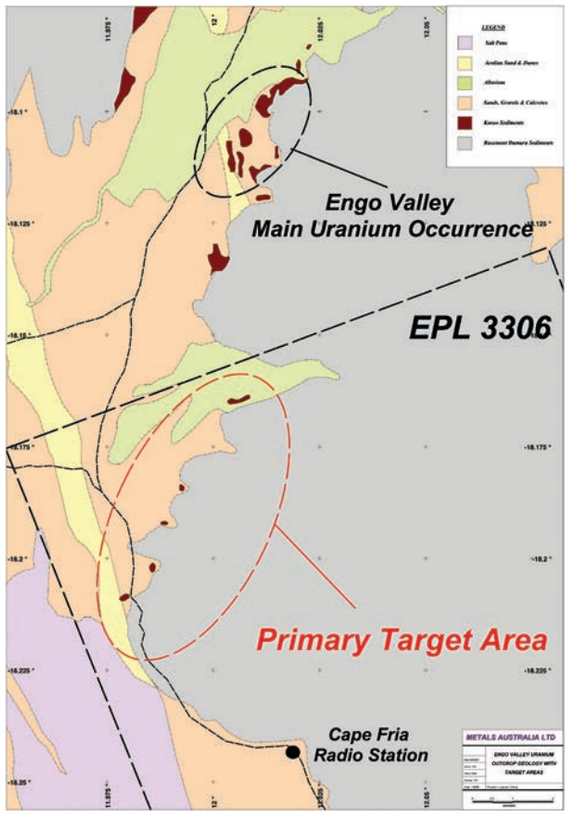


Figure 5

Metals' has yet to complete an on ground evaluation of the Engo Valley uranium project due to access issues into the Skeleton Coast National Park. Metals is presently working with the Namibian Ministry of Environment and Tourism to arrange an the appropriate access and sampling permits for the area.

2.1 EXPLORATION HISTORY

Gencor discovered the Engo Valley uranium deposits in the early 1970s. A regional airborne radiometric survey, flown by Gencor delineated anomalous mineralisation along more than 30 kilometres of the Engo Valley.

Gencor explored the Engo Valley between 1973 and 1980, undertaking a number of programmes including ground radiometric surveys, mapping and surface sampling. This work identified four deposits on the eastern flank of the valley, which are hosted by sediments of the Karoo sequence.

The Karoo sediments host a number of significant uranium deposits throughout southern Africa, including those in Tanzania, South Africa, and, most recently, A-Cap Resources Ltd's discovery at Mokobaesi in neighbouring Botswana.

Gencor focused their exploration on the main Engo Valley occurrence and its immediate surrounds, identifying several shallow, sediment-hosted deposits, including the MUO & D1 occurrences. These two occurrences are listed in the Namibian Ministry of Mines & Energy publication, 'Mineral Resources of Namibia' as having a non-JORC deposit of:

5.68 Million tonnes @ 0.034% Uranium Oxide

Regional mapping of the Engo Valley palaeochannel indicates that Karoo sediments underlie thin sand cover over more than 30 kilometres of strike, which includes the Metals project area to the south of the Engo Valley deposits.

2.2 GEOLOGY OF THE ENGO VALLEY

2.2.1 STRATIGRAPHY

The stratigraphy in the Engo Valley consists of basement Damara sediments, composed of schists, gneisses and calc-silicate rocks. Numerous small irregular granite bodies, and a large granitic body on the western flank of the Engo Valley have also intruded the basement sequence. These granites are thought to be the source of the uranium mineralisation.

The Damara basement is unconformably overlain by Karoo sediments, which consist of tillite, shales, conglomerate, marl, mudstone and sandstones. These sediments host the uranium mineralisation in the Engo Valley.

2.2.2 MINERALISATION

Uranium mineralisation is found in two distinct styles within the Karoo stratigraphy of the Engo Valley:

Disconformity

This mineralisation is found associated with alluvial fan deposits within the basal units of the Karoo sediments. The mineralisation is typically found as carnotite and is associated with coarse clastic units within the stratigraphy.

Shale Hosted

The shale units within the Karoo sediments may be mineralised, showing fine-grained uraninite associated with pyrite and chalcopyrite within the shale units.

2.3 GEOPHYSICAL EXPLORATION

A review and subsequent interpretation of the Gencor radiometric data by Metals has delineated an extensive anomaly over the northwestern corner of EPL 3306.

The radiometric anomaly covers more than 14 square kilometres of the southern Engo Valley palaeochannel. The anomaly has a strike length of over 7 kilometres and is more than 2 kilometres wide within the tenement area (see Figure 6).

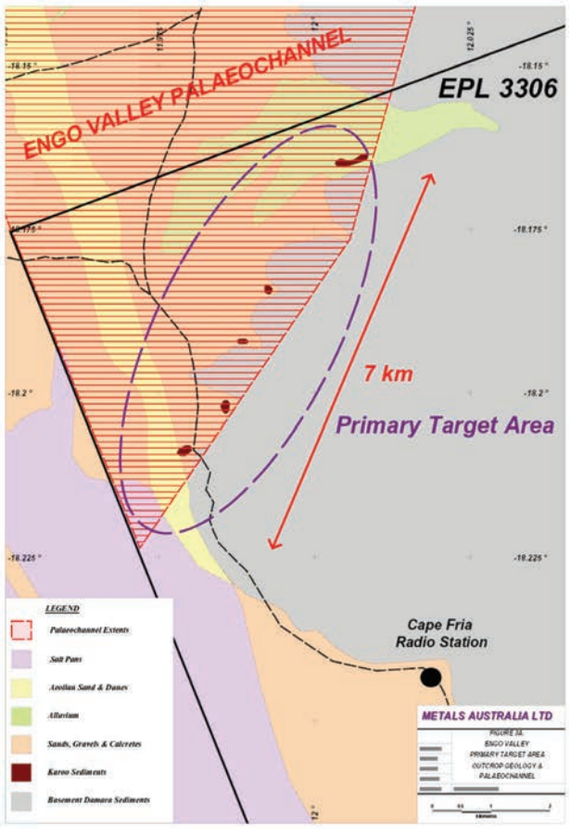
River sands and gravels cover much of the target area, partially masking the radiometric signature of the underlying sediments. Despite this cover, an extensive radiometric anomaly, with 'total count'* values from 1,000 to over 2,000 counts per second, covers the target area and is coincident with mapped sub to outcropping Karoo sediments.

The primary target area will initially be explored utilising surface sampling to test for uranium mineralisation. Sampling will concentrate on testing the Karoo sediments that lie on the margin on the Engo Valley palaeochannel.

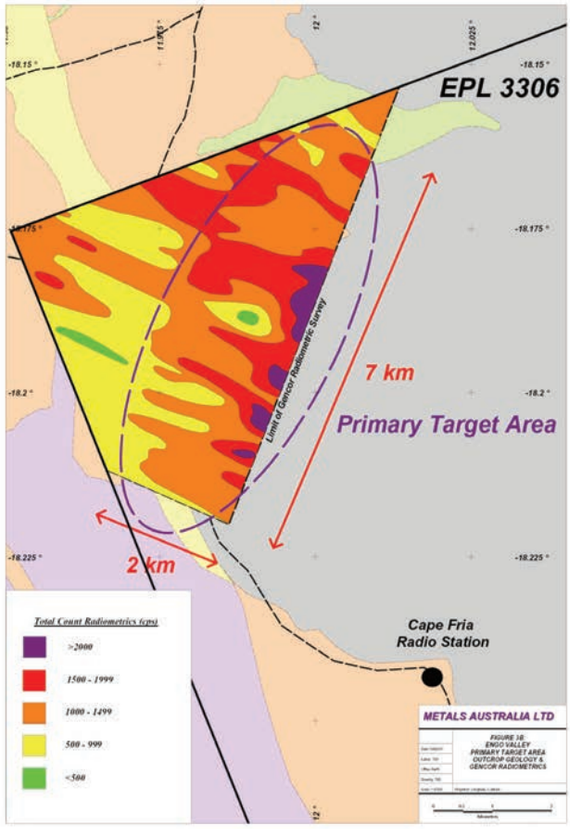
* 'Total count' is a measure of the total radioactivity given off by all of the radioactive elements in the source rock or sediments. These include both uranium and thorium.

2.4 ONGOING EXPLORATION

Metals has been unable to physically access the Engo Valley project due to restrictions upon entry to this area of the Skeleton Coast National Park. Metals continues to seek approval from the Namibian Ministry of Environment and Tourism ('NMET') to access and explore the project area.



Outcrop Geology, Palaeochannel Extents & Primary Target Area



Outcrop Geology & Gencor Radiometrics

Figure 6

AUSTRALIA – EXPLORATION ACTIVITIES

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

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

The Sherlock Bay Base Metal project is located in the Pilbara region and is being managed and explored by Australasian Resources Ltd (ARH). The project surrounds ARH's Sherlock Bay nickel deposit and is currently being explored for both base and precious metals.

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

The Manindi Zinc Project is located in the Murchison District of Western Australia, 20 kilometres southwest of the Youanmi mine site. The project comprises a series of volcanogenic massive sulphide zinc deposits, which have been delineated along more than 2.5 kilometres of strike. The geological environment shows similarities to those of other base metal sulphide deposits in the Yilgarn Craton of Western Australia such as the Golden Grove deposits at Yalgoo, located 200 kilometres to the west of Manindi.

Metals completed an extensive diamond drilling programme in the middle of 2007, after which time the Company began a series of studies to assess the potential of the existing resources and the region. The results of these studies are detailed below:

3.1 RESOURCE MODELLING

The upgraded JORC resource is largely based upon the drilling undertaken by Metals in the last 18 months, although drilling by previous explorers has been taken into account where the data could be checked and validated. This revised resource has been built around a framework that included geological, structural and grade modelling of the resources.

The Manindi resource takes into account mining parameters to allow its integration into the ongoing development study. Internal dilution (Dilution) has been factored into the resource calculations, as this material would be mined in an operational scenario.

The resource has been calculated at various cut-off grades. However for the purpose of this report, only the 1% cut-off grade figures have been presented. The **global JORC resource, at a 1% Zinc cut-off grade**, is as follows:

MANINDI	Measured		Indicated		Inferred		Total	
GLOBAL	Tonnes	Grade	Tonnes	Grade	Tonnes	Grade	Tonnes	Grade
Resource >1%	479,526	7.57	417,405	6.67	335,142	5.06	1,232,073	6.58
Dilution <1%	17,645	0.60	20,726	0.54	83,685	0.48	122,056	0.51
							1,354,129	**6.03**

It should be noted that the 2008 resource has increased by more than 43% in the 'Measured' category by 144,618 tonnes to 479,526 tonnes, when compared to the 2000 resource figure. The 2008 resource, which complies with the JORC code, shows a number of variations from the previous resource including:

- Stricter modelling parameters, with much of the resource now in the 'measured & inferred' category.
- Metals' drilling has facilitated the calculation of the other metal credits in the resource, including silver & gold.

The following section details the results of the resources modelling:

3.2.1 ZONE A – WARABI

The Warabi resource increased in both size and grade, with drilling and modelling also identifying several areas around the resource that require further testing, including the southern strike extensions into the Bandicoot prospect. The Warabi resource, at a 1% Zinc cut-off grade, is as follows:

ZONE A	Measured		Indicated		Inferred		Total	
WARABI	Tonnes	Grade	Tonnes	Grade	Tonnes	Grade	Tonnes	Grade
Resource >1%	80,263	10.58	56,823	10.56	13,502	10.46	150,588	10.56
Dilution <1%	0	0.00	0	0.00	0	0.00	0	0.00
							150,588	**10.56**

The main variation in the Warabi resource figure come from the delineation of the high-grade northern strike extensions, which extend to the fault zone separating Zones A & B (see Figure 7).

The resource modelling of Zone A shows a number of areas that require further drill testing (see Figure 8):

- **WARABI SOUTH – Bandicoot**

Modelling shows the Zone A zinc lodes extending to the south and into the 'Bandicoot' target area. Limited drilling in the Bandicoot area has already intersected zinc mineralisation, with results including:

MNRC 002 4m @ 1.58% Zinc from 82 metres

The Bandicoot prospect will be further tested as a part of ongoing exploration.

- **Warabi 'Deeps'**

A number of drill holes below the existing resource did not intersect its continuation at depth. An older hole did intersect weak mineralisation approximately 100 metres below surface and has yet to be followed up. The resource and geological modelling both showed strong potential for the repetition of the mineralised lodes at depth.

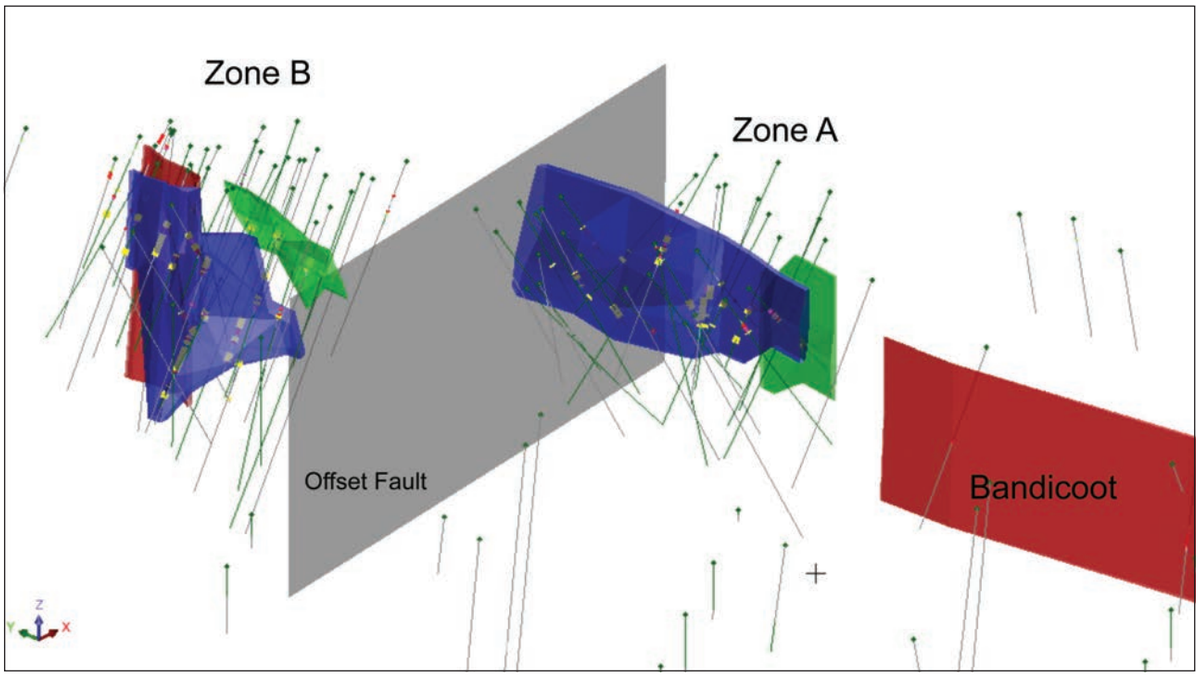


Figure 7A – A view of the Zone A & B mineralisation from the southwest. This image shows the drill hole traces, the offset fault in grey between the two resources and the main zinc lodes in blue. In addition the recently discovered footwall lodes are shown in green & red, with the Bandicoot prospect to the south.

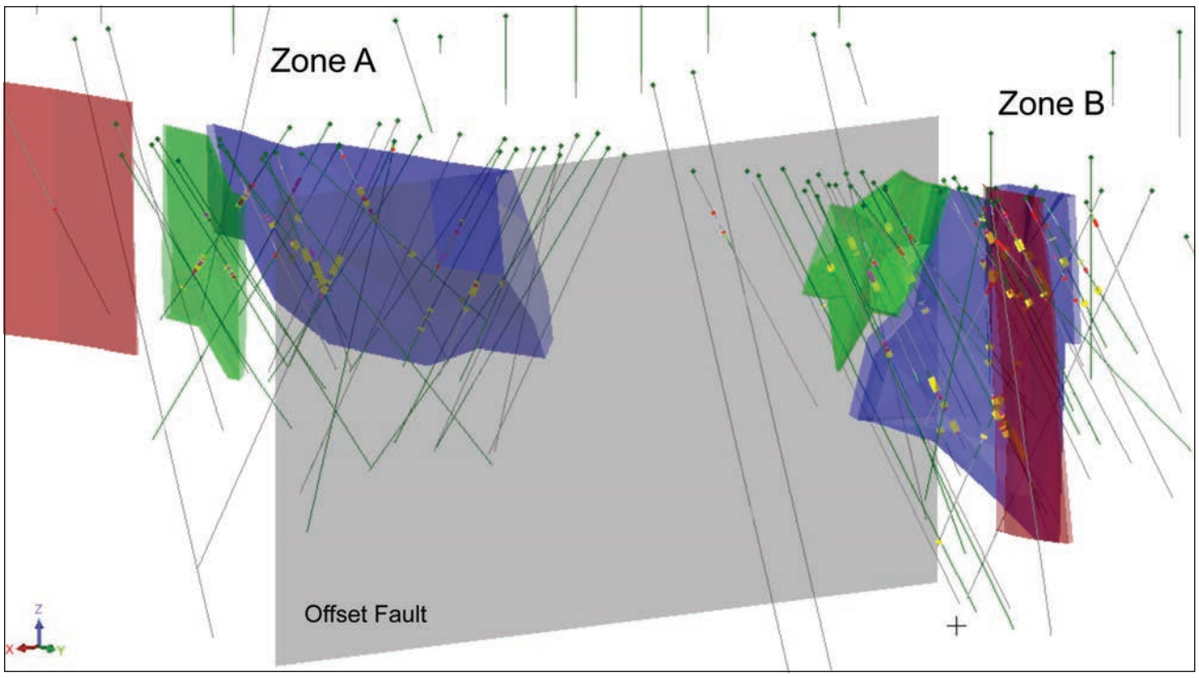


Figure 7B – A view of the Zone A & B mineralisation from the northeast. This image shows the drill hole traces, the offset fault in grey between the two resources and the main zinc lode in blue. In addition the recently discovered footwall lodes are shown in green & red, with the Bandicoot prospect to the south.

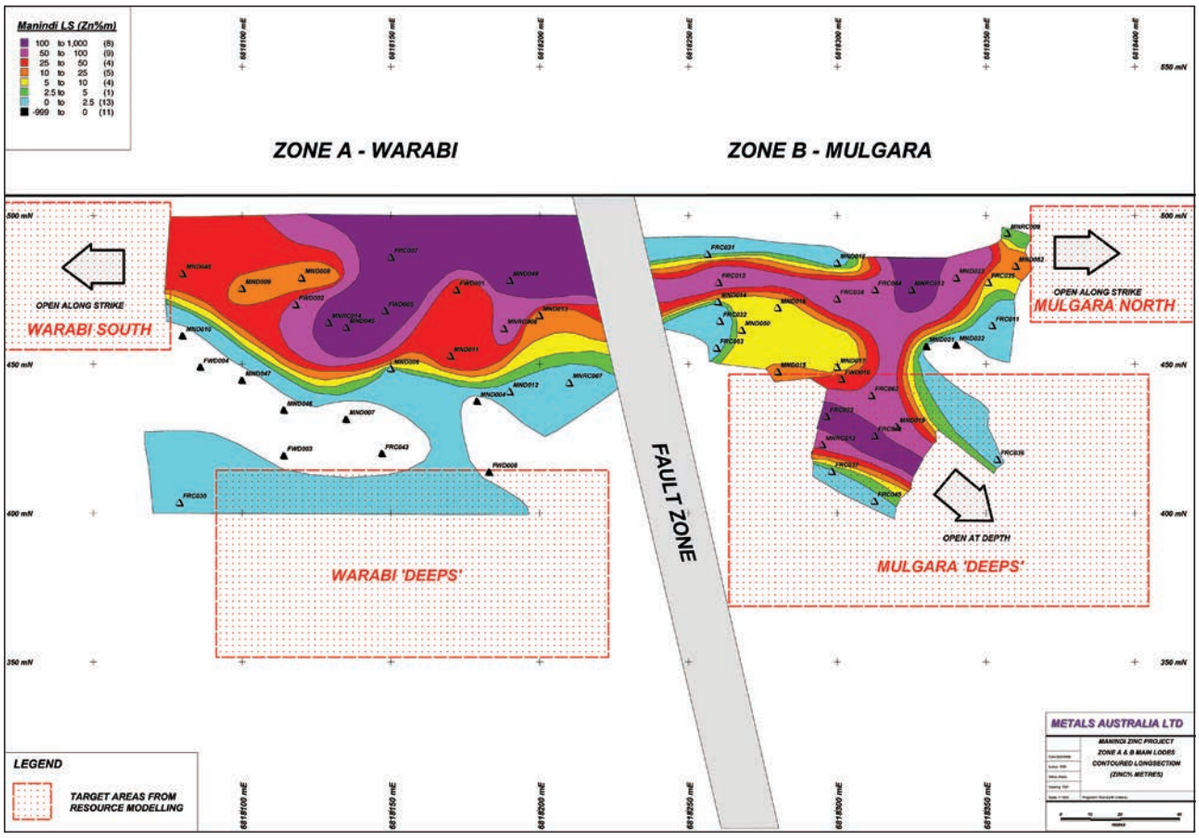


Figure 8

3.2.2 ZONE B – MULGARA

The drilling of the Zone B resource has shown it to be the most geologically complex of the four resource positions, with potential for further resources in a number of positions along strike and at depth. The Mulgara resource, at a 1% Zinc cut-off grade, is as follows:

ZONE B	Measured		Indicated		Inferred		Total	
MULGARA	Tonnes	Grade	Tonnes	Grade	Tonnes	Grade	Tonnes	Grade
Resource >1%	111,176	6.84	52,620	6.50	15,917	4.24	179,713	6.51
Dilution <1%	5,651	0.73	2,439	0.79	2,019	0.43	10,109	0.68
							189,822	**6.20**

The detailed geological modelling undertaken by Metals has resulted in a more accurate resource model for Zone B, with the resource tonnage at Zone B being amended due to the recognition of a zone of intense faulting between Zones A & B. This fault zone has displaced the two resource positions, complicating the modelling of the Zone B resource (see Figures 7 & 8). Additionally a number of pegmatites have intruded this zone and, in places, 'stoped out' the mineralised lodes.

The resource modelling of Zone B shows a number of areas that require further drill testing (see Figure 8):

- **MULGARA North**

Modelling shows the Zone B zinc lodes extending to the north of the existing resource. Limited drilling in this target area has delineated near surface mineralisation that requires extensional drilling, both along strike and at depth. Exploration drilling includes:

MNRC 009	**3m @ 1.45% Zinc**	**from 6 metres**
MNRC 010	**3m @ 1.71% Zinc**	**from 3 metres**

Mulgara North will be further tested as a part of ongoing exploration.

- **MULGARA 'Deeps'**

A number of the deeper drill holes within the resource have intersected high-grade mineralisation, which is interpreted to be a repetition of the near surface lode. This deeper mineralisation remains open along strike and at depth.

The deeper extensions of Mulgara will be tested by EM and drilling as a part of ongoing exploration.

3.2.3 ZONE D NORTH – KULTARR

Zone D North is the largest of the resource areas at Manindi. Drilling shows that the resource has a high-grade core surrounded by peripheral low-grade mineralisation. The Kultarr resource, at a 1% Zinc cut-off grade, is as follows:

ZONE D NTH	Measured		Indicated		Inferred		Total	
KULTARR	Tonnes	Grade	Tonnes	Grade	Tonnes	Grade	Tonnes	Grade
Resource >1%	265,881	7.22	266,993	6.30	199,338	5.46	732,212	6.41
Dilution <1%	6,116	0.62	5,759	0.54	22,480	0.48	34,355	0.52
							766,567	**6.14**

Metals' drilling has resulted in much of the resource at Kultarr being upgraded to 'Measured & Indicated'. The resource modelling of Zone D North has highlighted a number of target areas at Kultarr (see Figures 9 & 10):

- **ZONE D 'BRIDGE'**

Modelling shows that Zone D North and South are part of a larger mineralised system. The area between the two existing resources remains largely unexplored and requires further drill testing. This target is further discussed as part of the Zone D South resource.

- **KULTARR 'NEAR SURFACE'**

Surface geochemistry indicates that the mineralisation may extend to surface at Kultarr. The drilling to date only tests the mineralised lodes below 40 metres depth. The near surface environment and up dip extensions to the mineralisation remain untested by drilling.

- **KULTARR 'DEEPS'**

Modelling of the mineralisation at Kultarr indicates that the resource has a northerly plunge component. The down plunge extensions of the resource remain untested by drilling.

The targets at Zone D North will be further explored as a part of the ongoing exploration programme at Manindi.

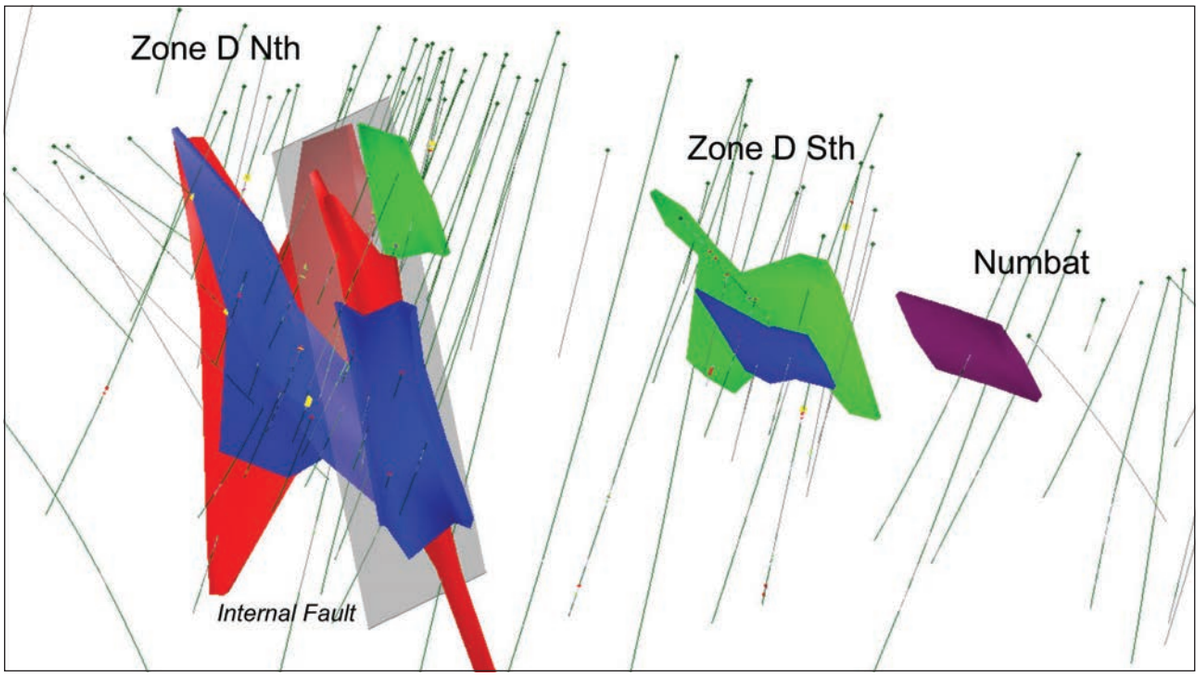


Figure 9A – A view of the Zone D mineralisation from the southwest. This image shows the drill hole traces, an internal fault in grey within the Zone D North resource and the main zinc lodes. In addition the recently discovered Numbat lode is shown in purple to the south of the Zone D ore bodies.

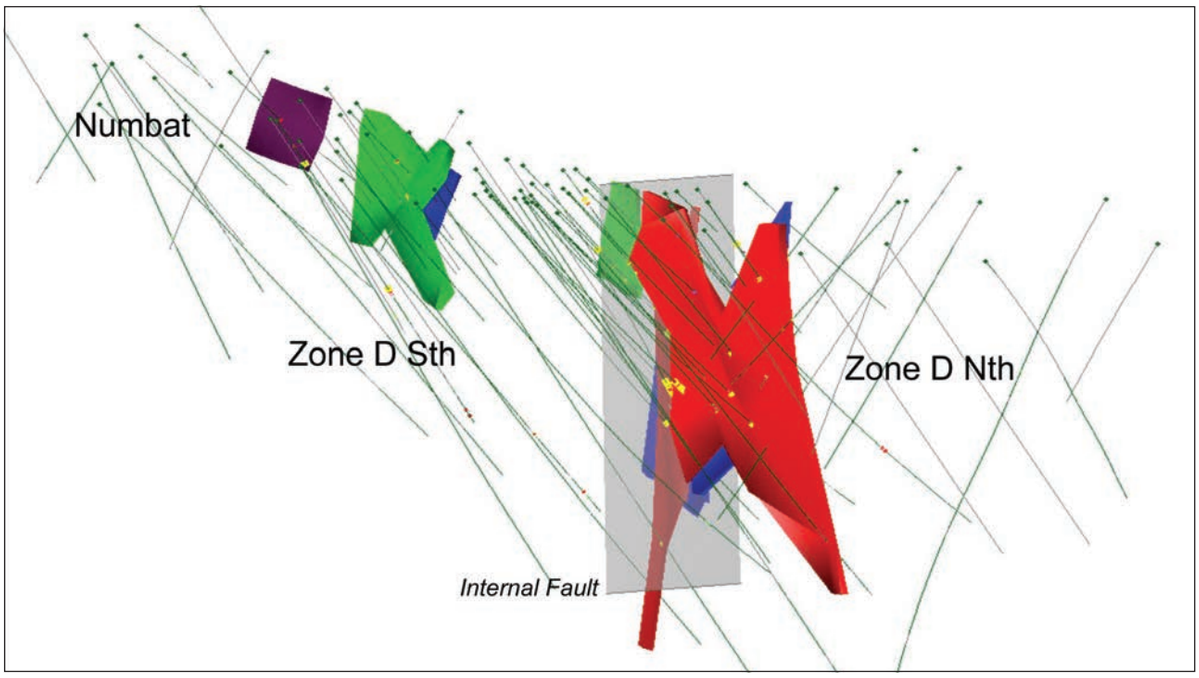


Figure 9B – A view of the Zone D mineralisation from the northeast. This image shows the drill hole traces, an internal fault in grey within the Zone D North resource and the main zinc lodes. In addition the recently discovered Numbat lode is shown in purple to the south of the Zone D ore bodies.

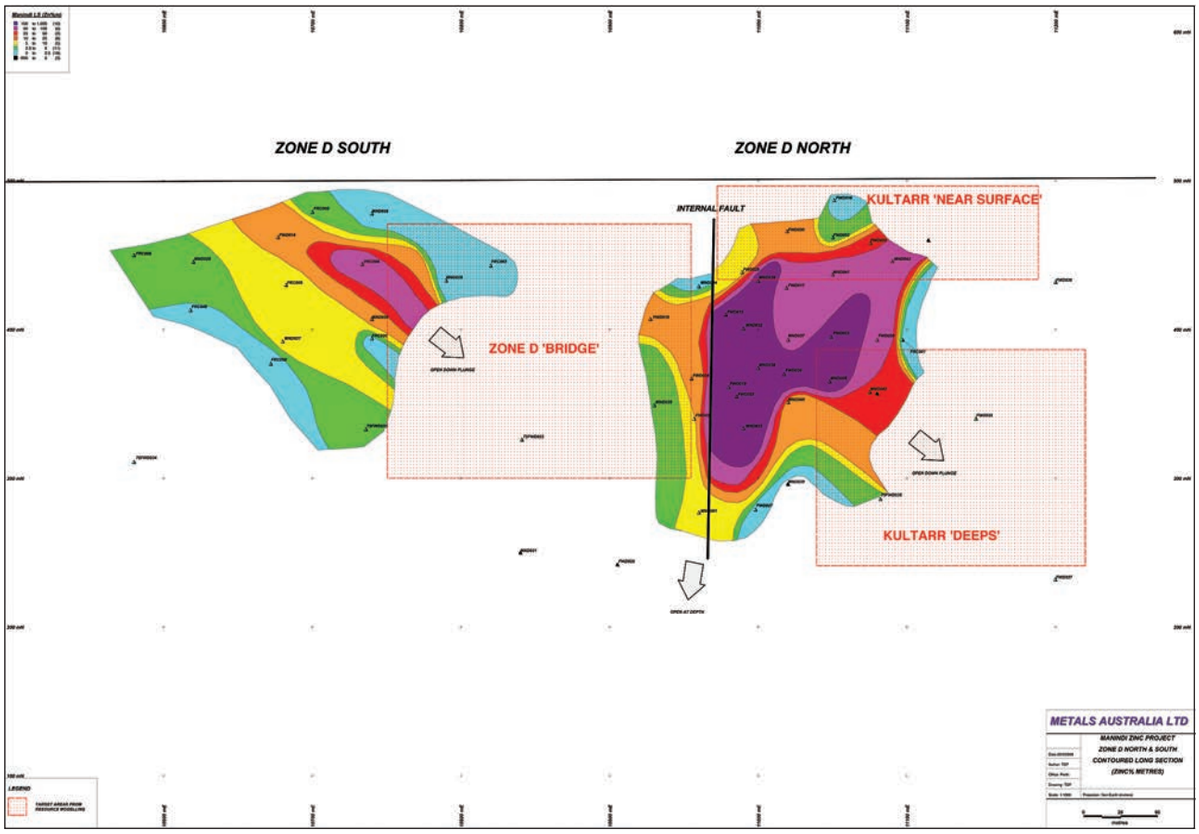


Figure 10

3.2.4 ZONE D SOUTH – KOWARI

The Zone D South resource was the smallest of the resource areas, and was the subject of limited drilling. Drilling undertaken by Metals on this resource has greatly expanded its size and shows that it is part of a larger system. The Kowari resource, at a 1% Zinc cut-off grade, is as follows:

ZONE D SOUTH	Measured		Indicated		Inferred		Total	
KOWARI	Tonnes	Grade	Tonnes	Grade	Tonnes	Grade	Tonnes	Grade
Resource >1%	22,206	4.47	40,969	3.84	106,385	3.72	169,560	3.85
Dilution <1%	5,878	0.46	12,528	0.49	59,186	0.49	77,592	0.48
							247,152	**2.79**

Recent drilling indicates that the Kowari mineralisation most likely represents the periphery of the Zone D mineralised system. The resource has substantially increased in tonnage but decreased in grade, reflecting the position of the resource in relation to the core of the resource at Zone D North (see Figure 9).

The resource modelling, coupled with recent drilling and EM, indicates that Zones D North and South are part of a larger mineralised system that requires further testing as a part of the active exploration programme.

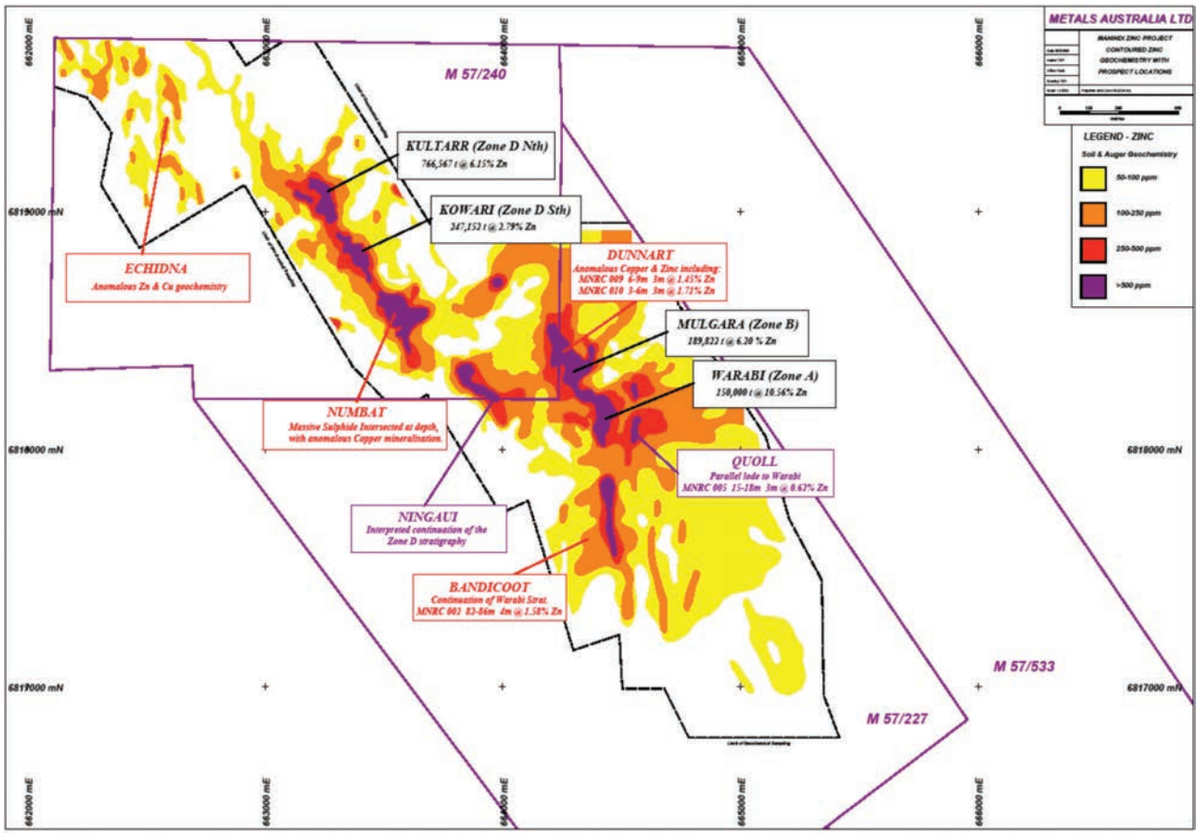


Figure 11A – **Manindi contoured zinc geochemistry & prospects**

3.3 NEAR RESOURCE POTENTIAL

Drilling by Metals was aimed at defining and expanding the existing resources at Warabi (Zone A), Mulgara (Zone B), Kowari (Zone D Sth) and Kultarr (Zone D Nth). This drilling was successful in defining the resources, in addition to which further target areas were outlined. A review of the exploration data shows that both copper and zinc targets are present within the 'resource environs' (see Figure 11).

Target areas highlighted include:

3.3.1 NUMBAT

The Numbat target is located along strike from Zone D, to the south. Numbat shows a larger geochemical 'footprint' (>350 metres of strike) than Kultarr (250 metres of strike), which are located 600 metres to the north along strike and hosts the largest of the Manindi resources (733,000 tonnes @ 6.05% Zn) identified to date.

Numbat is highlighted by a number of criteria that targets it for further drill testing (see Figures 12A & B):

- **Stratigraphy** – the target lies directly along strike from the largest resource within the Manindi stratigraphy.
- **Geochemistry** – the Numbat geochemical anomaly covers more than **400 metres of strike and remains largely untested by drilling**. The anomaly averages more than 250 ppm zinc, with peak values in excess of 1,000 ppm, and copper values in excess of 500 ppm.

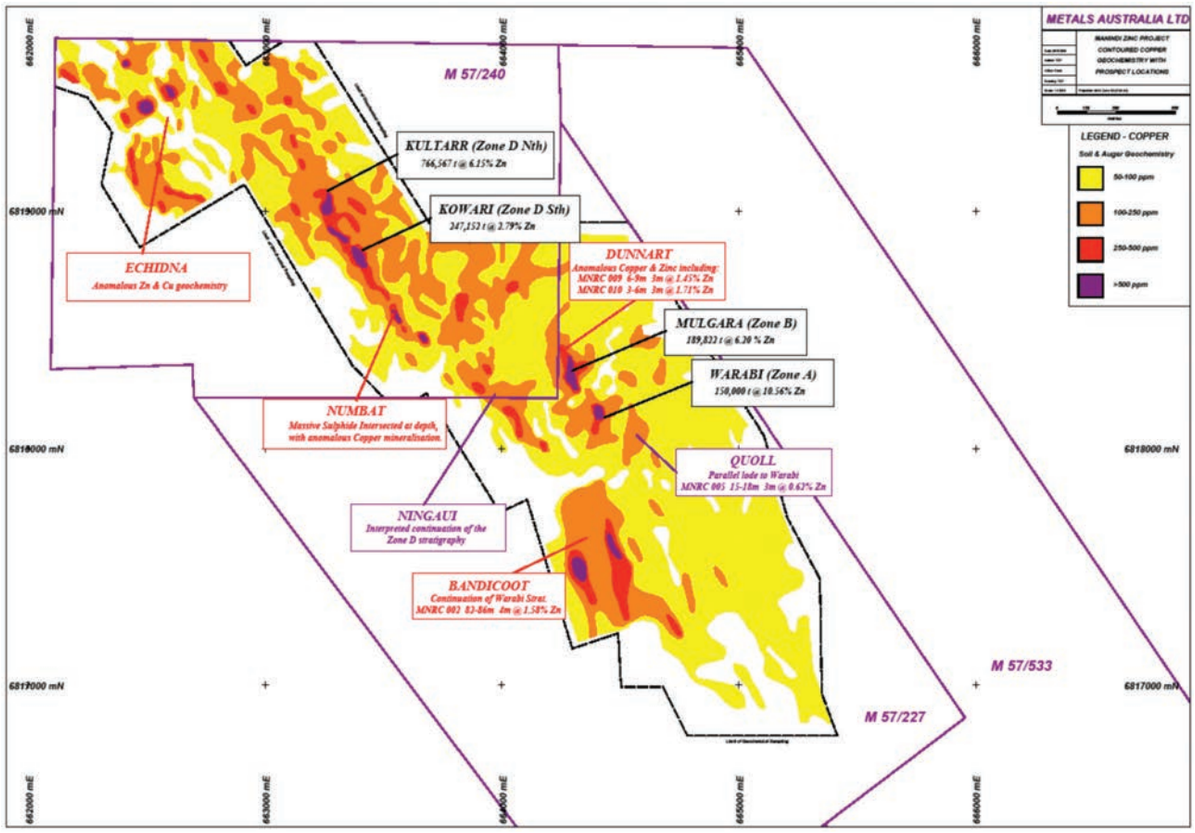


Figure 11B – **Manindi contoured copper geochemistry & prospects**

Limited drilling beneath the geochemical anomaly at Numbat encountered massive sulphide mineralisation over significant widths (see photo below), including:

MND 025 23.00 metres of Semi to Massive Sulphides from 115.00 metres

Including 17.53 metres @ 0.26% Copper from 115.25 metres

With 0.80 metres @ 1.20% Copper from 129.30 metres

Drilling appears to have intersected the 'feeder' system to the Manindi resources. These 'feeders' generally lie below the primary base metal mineralisation and are characterised by weak gold and copper mineralisation.

Drilling is required higher in the stratigraphy (further to the west), which should then intersect the base metal mineralisation.

Drilling will be extended along the strike length of the target area, with drill fences testing both the 'feeder' system and the mineralised lode.

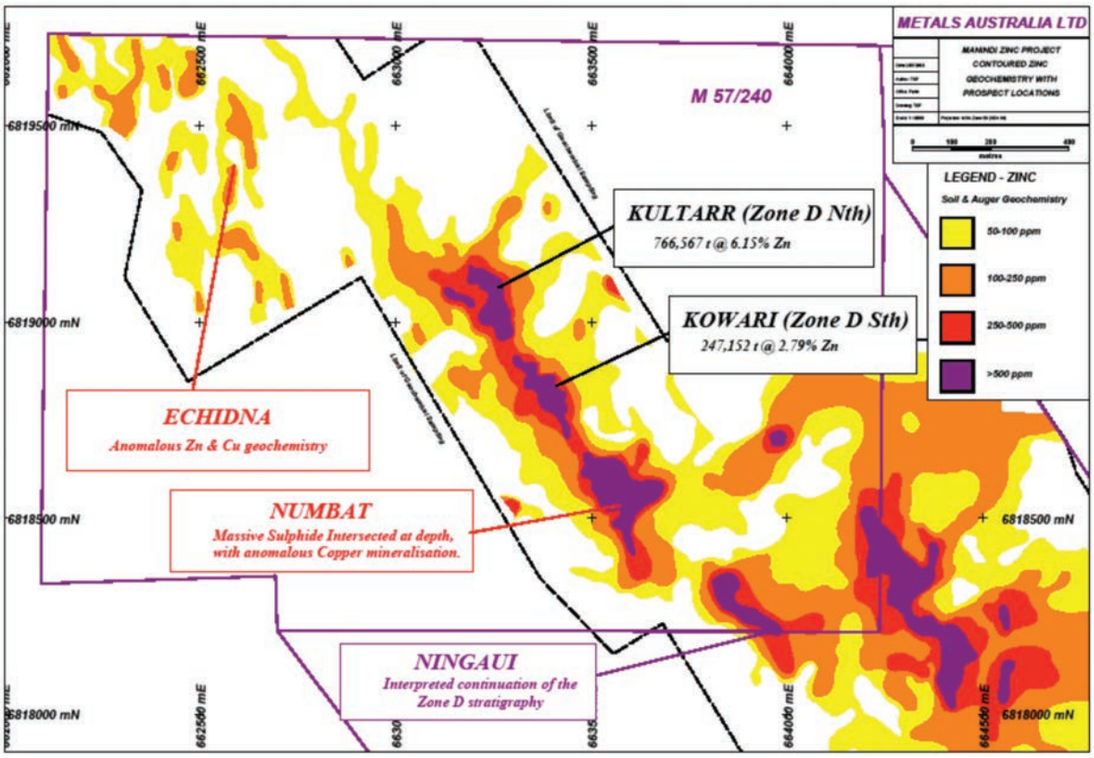


Figure 12A – Northern prospects, Contoured zinc geochemistry

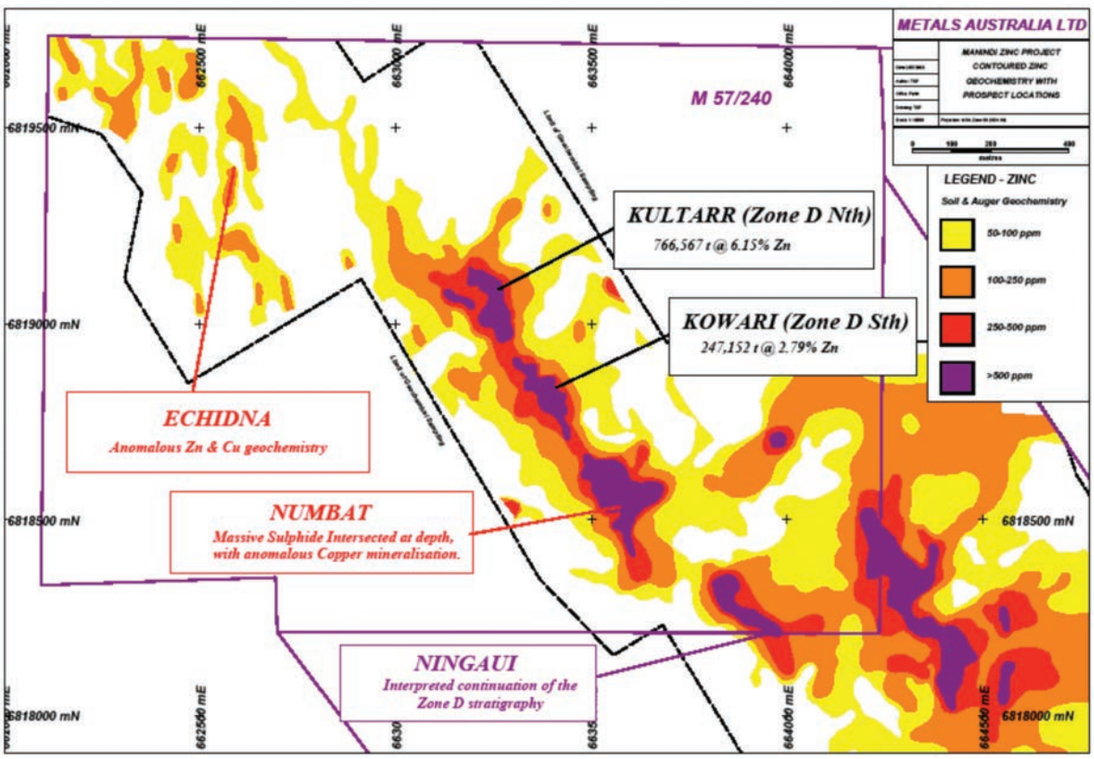


Figure 12B – Northern prospects, Contoured copper geochemistry

3.3.2 NINGAUI

The Ningaui prospect is located along the southern strike extensions of Kultarr, Kowari and Numbat. Ningaui remains only partially tested by drilling but is highlighted by a number of criteria that targets it for drill testing (see Figures 12A & B):

- **Stratigraphy** – along the southern strike extensions of Numbat and Kultarr. The target covers a fold hinge that may have acted as a focus for mineralisation.
- **Geochemistry** – a substantial geochemical anomaly covers the Numbat target and remains largely untested by drilling. The anomaly covers more than 300 metres of strike and averages more than 250 ppm zinc, with peak values in excess of 1,000 ppm and copper values in excess of 250 ppm (see Figure 13).

Limited drilling at Ningaui has previously intersected zinc mineralisation, including:

MNRC 015 3.00 metres @ 1.00% Zinc from 71.00 metres

Drilling will be extended to cover the strike length of the target area.

3.3.3 DUNNART

The Dunnart target is located directly along strike from the Mulgara (Zone B) resource. The target covers the northern extensions of the geochemical anomaly, with more than 150 metres of strike remaining largely untested by drilling.

Dunnart is highlighted by a number of criteria that targets it for further exploration (see Figures 13A & B):

- **Stratigraphy** – Dunnart is directly along strike from the Mulgara and Warabi resources and covers a fold hinge that may have acted as a focus for mineralisation.
- **Geochemistry** – geochemical anomalism shows mineralisation continuing to the north of Mulgara, before being masked by recent alluvial sediments. Dunnart shows copper and zinc values in excess of 1,000 ppm at surface.

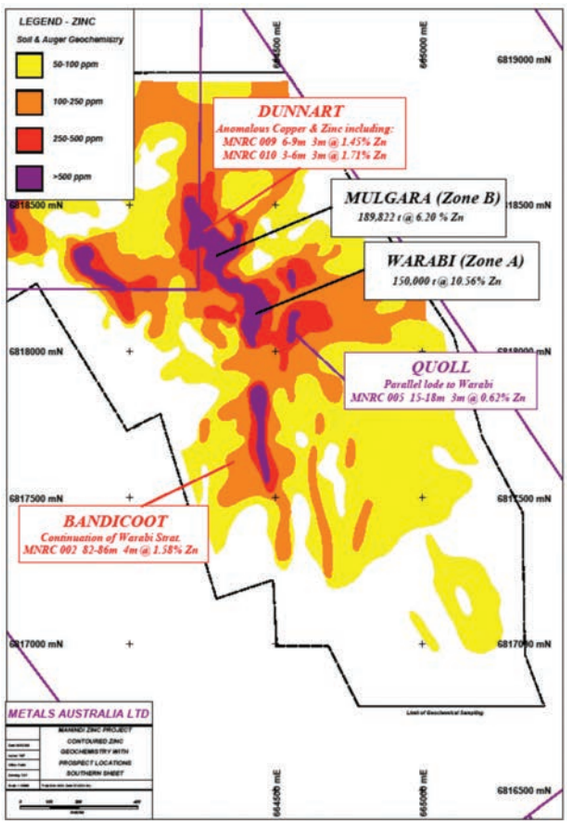


Figure 13A – **Southern prospects, Contoured Zinc geochemistry**

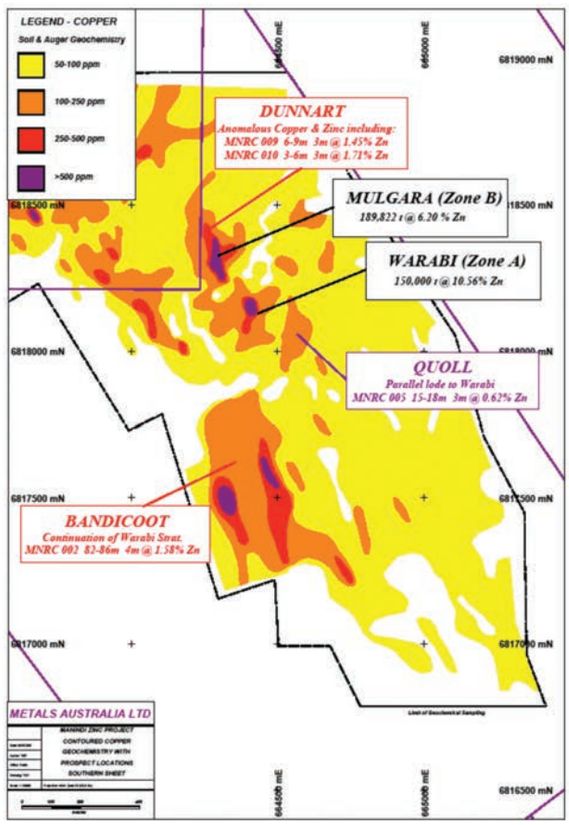


Figure 13B – **Southern prospects, Contoured Copper geochemistry**

Drilling has only tested part of the geochemical anomaly at Dunnart. The only two holes into the target both returned significant zinc mineralisation, including:

MNRC 009 3.00 metres @ 1.45% Zinc & 0.38% Copper from 6.00 metres

MNRC 010 3.00 metres @ 1.71% Zinc & 0.20% Copper from 3.00 metres

In addition shallow drilling at Mulgara, to the south, has shown significant copper mineralisation that has yet to be followed up, including:

MND 003 4.90 metres @ 3.95% Copper from 5.70 metres

Drilling will be designed to test the strike extents of the geochemical anomaly as well as the strike extensions of the anomaly below alluvial cover.

3.3.4 QUOLL

The Quoll target area is located immediately to the east of Warabi and appears to be a repetition of the mineralised lode at depth. The target is defined by geochemistry with preliminary drilling returning positive results.

The target area extends into an area of thin sand and soil cover, however geochemistry defines the target (see Figures 13A & B):

- **Stratigraphy** – Quoll appears to be a 'footwall' repetition of the Warabi resource.
- **Geochemistry** – geochemical anomalism shows mineralisation 100 metres to the east of Warabi. The anomaly covers **more than 300 metres of strike**, with increasing recent sand and gravel cover to the south. The geochemical target shows a broad 100 ppm zinc anomaly, with peak values of over 1,000 ppm and copper values of over 100 ppm copper.

Preliminary drilling returned encouraging results such as:

MNRC 005 3.00 metres @ 0.62% Zinc from 15.00 metres

Further drilling is required along the strike extents of the anomaly and at depth to evaluate its potential to host economic mineralisation.

3.3.5 BANDICOOT

Modelling indicates that the mineralisation defined at Warabi continues to the south into the Bandicoot area, **covering over 600 metres of strike**. Existing drilling is limited to the northern extents of Bandicoot, but has intersected zinc mineralisation including:

MNRC 002 4.00 metres @ 1.58% Zinc from 82.00 metres

The target area extends into an area of sand and soil cover, however auger geochemistry and modelling has highlighted the target for further exploration (see Figures 13A & B):

- **Stratigraphy** – Bandicoot extends south from Warabi with geological modelling highlighting the target for drill testing.
- **Geochemistry** – geochemical anomalism shows mineralisation continuing to the south of Warabi for more than 600 metres, prior to being masked by increasing recent sand and gravel cover. The geochemical target shows a zinc response as well as two parallel copper anomalies, showing peak values in excess of 500 ppm copper.

The copper geochemistry appears to show two separate lodes at Bandicoot that require drill testing. A programme of drilling will be designed to test the strike extensions of Warabi through to Bandicoot.

3.4 REGIONAL POTENTIAL

The Manindi project area includes **more than 7.5 kilometres of prospective strike**. To date drilling has tested less than 2.5 kilometres of this stratigraphy, while the remaining 5 kilometres of strike remain only partially tested by surface geochemistry. The surface geochemistry highlights a number of copper and zinc targets that require drill testing.

The geological review highlighted several new target areas that warrant further exploration (see Figure 14):

3.4.1 Northern Strike Extensions

The strike extensions of the stratigraphy to the north of Kultarr remain largely untested by drilling. The target area extends to the northern tenement boundary with a number of criteria highlighting the target for further exploration:

- **Stratigraphy** – the target area lies directly along the northern strike extensions of the Kultarr-Kowari mineralised stratigraphy.

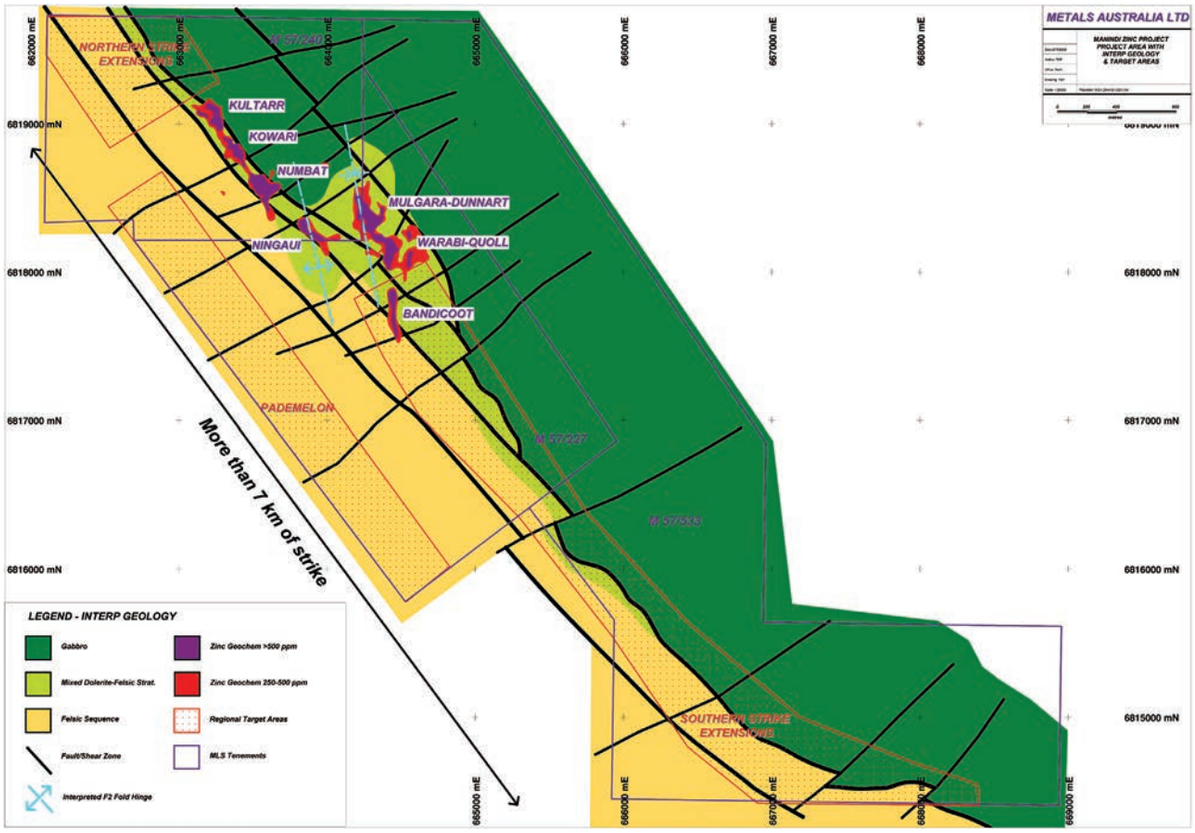


Figure 14

- **Geophysics** – surface and down hole geophysics (EM) indicate a conductive target along strike from Kultarr.
- **Geochemistry** – geochemical anomalism shows mineralisation continuing to the north along strike from Kultarr, below increasing recent sand and gravel cover. In addition the **Echidna** target area (see Figure 3), showing anomalous copper and zinc mineralisation, is located approximately 700 metres to the northwest of Kultarr.

The target area covers **more than 750 metres of strike**, with detailed analysis of existing drilling underway.

3.4.2 Southern Strike Extensions

Shallow drilling has only sparsely tested the strike extensions of the stratigraphy, to the south of the Warabi resource. The target area extends through the southern project area along the prospective gabbro-volcanoclastic contact, with a number of criteria highlighting the target area for further exploration:

- **Stratigraphy** – the target area follows the mineralised stratigraphy to the south, along strike from both the Mulgara and Warabi resources.
- **Geophysics** – aeromagnetic data demonstrates the continuation of the mineralised contact along strike.
- **Geochemistry** – geochemical anomalism shows mineralisation continuing to the south of Warabi, highlighted by a strong copper-zinc target at Bandicoot. Increasing recent sand and gravel cover masks any anomalism to the south of the Bandicoot target area.

The target area covers more than **5,000 metres of strike**, with geochemical targets defined through both surface sampling and shallow drilling. The southern extremities of the tenement area are amenable to geochemical sampling and have recently been sampled as part of a soil sampling programme.

3.4.3 Pademelon

The Pademelon target is located to the west of the delineated mineralisation in the resource areas. The target area covers upper units of volcanoclastic stratigraphy, with a number of criteria highlighting the target area for sampling:

- **Stratigraphy** – the target area covers the upper units of the host volcanoclastic stratigraphy. Volcanogenic Massive Sulphides (VMS) are known to be long-lived, stacked systems with several pulses of mineralisation. To date only one of these pulses has been defined at Manindi.
- **Geochemistry** – limited geochemistry over the eastern side of the target already shows several discrete anomalies, with sampling to the north (Echidna) showing anomalism. The target requires close spaced geochemical sampling.

The target area covers more than **three kilometres of strike** and has yet to be comprehensively tested with either geochemistry or drilling, however the geochemical anomalism at '**Echidna**', along strike, enhances the prospectivity of the target.

3.5 DEVELOPMENT STUDY

A development study is now in progress to determine the viability of mining the Manindi resources. This study includes:

3.5.1 Metallurgical Test Work

Metallurgical testing of the Manindi mineralisation has identified a number of methods of effectively treating the mineralisation to recover the zinc mineralisation.

3.5.1.1 Bacterial Leaching

Work has previously been undertaken on the Manindi sulphide mineralisation to determine its amenability to bacterial leaching. The Phase 1 testing on samples of ore from Zone D North has shown excellent recoveries, in excess of 97% in a laboratory environment.

The data was later passed to AMMTEC that resulted in a conceptual flow sheet for processing being developed. This flow sheet includes:

- Heap Leaching
- Iron Reduction
- Ion Exchange
- Electrowinning

Bacterial leaching remains a potential route to low cost production and will be further examined and 'costed' as the development study continues.

3.5.1.2 Float Testing

In response to the success of the bacterial leaching and exploration success at Manindi, samples were taken from the various resources for 'float testing'. Floating is utilised worldwide to produce a 'conventional' concentrate for shipping and sale to smelters.

Float testing of the Manindi zinc mineralisation is now in advanced stage trials and showing excellent results. The earlier testing of the high-grade mineralisation (>10% Zinc) from Zone D North showed a grade of 51.9% Zinc, with 95.4% recovery, 'reporting' to the concentrate under test conditions.

The current phase of testing will finalise optimal grind sizes, flotation reagents and the recoveries of zinc over the various resources.

3.5.1.3 Physical Testing

Physical testing of the mineralisation from the resources has begun on both the high-grade and the resource grade mineralisation. Testing includes:

- Abrasion Index
- Unconfined Compressive Strength
- Rod Mill Work Index
- Ball Mill Work Index

Initial results show the resource grade mineralisation to be harder than the high-grade mineralisation, due to the increase in contaminant minerals. This result was expected, with the mineralisation showing low to medium hardness.

Metallurgical test work is continuing and will be incorporated into the ongoing development study.

3.5.2 MINING STUDY

Initial mining studies have previously indicated that Zones A & B are amenable to open pit mining operations, while Zone D is more likely to be mined by a combination of both open pit and underground methods.

Pit design has commenced with a view to establishing the economic parameters of the resources.

3.5.3 Plant Design & Costings

Processing circuits, plant requirements and costings are now being determined for various options including bacterial leaching and concentrate production. This work is largely dependent upon the results of the current metallurgical testing programme as detailed above.

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

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

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

Exploration by Australasian during the year included drilling at both the Malagine and Doughboy prospects, as well as regional electromagnetic (EM) surveys.

4.1 MALAGINE

Exploration at Malagine focused on a polymetallic quartz vein system discovered within the project area. These subcropping quartz veins, together with a distinctive alteration within the granite host, have been mapped over a strike length of 2.5 kilometres.

Rock chip samples taken from these quartz veins returned assays of **up to 235 gpt silver and 0.8gpt gold** as well as anomalous copper and lead.

In order to follow up the rock chip sampling, two diamond holes were drilled in August 2007. Drill holes were placed 40 metres apart and drilled to a depth of approximately 33 metres, dipping 60 degrees to northwest. Drilling intersected the quartz vein over a true width of 6 metres, dipping 65-75 degrees to the

southeast. There were no visible sulphides recorded, but copper sulphate was observed in fractures over a 10 centimetre length along the margins of the vein.

Assaying of the core from the drilling programme confirmed the anomalous metal concentrations, previously identified from rock chip samples, in the outcropping quartz vein and adjacent altered granite.

The following downhole intervals highlight the low level metal anomalies:

MD01 **13.79 metres @ 0.86 ppm silver from 0.8 metres (based on 0.5 ppm silver cut-off and includes 1.30 metres of lost core).**

MD02 **5.60 metres @ 1.24 ppm silver, 0.10% copper from 5.4 metres**

Including **0.23 metres @ 18 ppm silver, 2.01% copper & 0.3 ppm gold.**

Preliminary investigations suggest that the silver is not associated with galena or a mercury product, implying that it occurs in its native state. The polymetallic quartz vein confirms that the recently discovered alteration zone is **a mineralised system of**

'yet to be determined potential'. This zone is 2.5km long and characterised by silica and epidote alteration of the host granite. The alteration zone intersects a local Banded Iron Formation (BIF) and crystallised magnetite is present in this area, suggesting potential for fluid chemistry interaction between the BIF and the mineralised system, which is capable of localising the metals.

The occurrence of a sedimentary rock (BIF) and a quartz vein bearing metals such as silver, copper and lead suggest that the source of these metals may be a nearby **Volcanogenic Massive Sulphide** system, similar to the Whim Creek and the Salt Creek deposits.

4.2 DOUGHBOY

The Doughboy BIF prospect is located one kilometre to the north of the Malagine Project and is characterised by out to subcropping magnetite rich, siliceous rock. It appears that there are two distinct lithological units present.

The most abundant is an amorphous, siliceous rock with crystalline magnetite. There is also a more classic BIF present, which appears to have an oxidised cap. Granites surround these lithologies, but it is presumed that these rocks represent goethitic/ferruginous caprock.

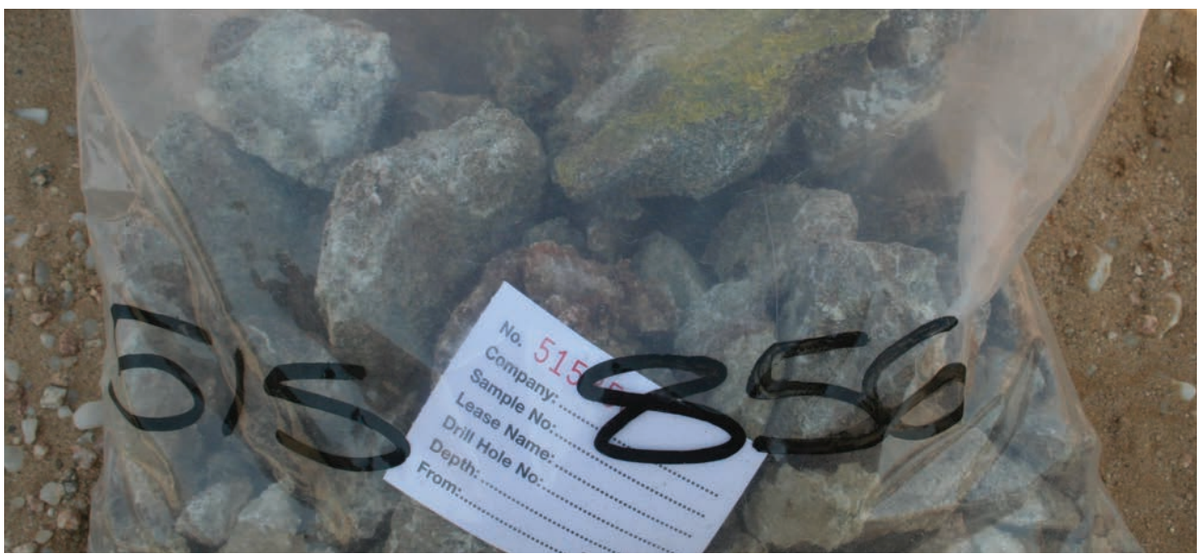
The footprint of this BIF/ferruginous rock is approximately 8.7 hectares. These lithologies are also mapped elsewhere within the project area and are often coincident with targets delineated from the aeromagnetic survey. There are numerous other anomalies, buried by recent cover, that may be explained as an extension of this BIF and require further investigation.

4.3 EM SURVEYS

Australasian completed both regional MLEM and FLEM surveys over the project area in late 2007. Southern Geoscience undertook the interpretation of these surveys with preliminary results showing a number of conductive anomalies. These anomalies may be related to base-metal occurrences and will be investigated as exploration progresses.

Competent Persons Declaration

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Timothy Putt of Exploration and Mining Information Systems, who is a member of The Australasian Institute of Geoscientists and Alex Clemen of Clemen & Associates Pty Ltd who is a member of the Australian Institute of Mining & Metallurgy. Mr. Putt and Mr Clemen have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Timothy Putt and Alex Clemen consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.



Directors' Report

The Directors present their report on the consolidated entity consisting of Metals Australia Ltd and its controlled entities for the year ended 30 June 2008.

DIRECTORS

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

Hersh Solomon Majteles (Chairman)
David Zukerman
Alexander Clemen

PRINCIPAL ACTIVITIES

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

RESULTS

The Group loss for the financial year after providing for income tax amounted to $1,015,188 (2007: $984,351 loss).

DIVIDENDS

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

SIGNIFICANT CHANGES

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

EVENTS SUBSEQUENT TO BALANCE DATE

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

LIKELY DEVELOPMENTS

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

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

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

(i) Hersh Solomon Majteles LLB

Mr Majteles is a commercial lawyer and has been in private practice in Western Australia since 1972. He has been a board member of a number of publicly listed companies involved in the mining, resources, energy and biotech sectors for over twenty five years. During the past three years, he has also been, and remains, a Director of Eqitx Limited.

(ii) Alexander Clemen B.Sc (Hons), M.Aus.I.M.M.

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

(ii) David Zukerman

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

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

Norman Grafton FCPA, FCIS

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

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

Name	Ordinary Shares	Options
H S Majteles	2,950,000	2,400,000
A Clemen	450,010	2,400,000
D Zukerman	–	2,400,000

(d) Directors' interest in contracts:-

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

REMUNERATION REPORT (AUDITED)

2008

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

2007

Key Management Personnel	Short-term Benefits		Share-based Payment	Total
	Directors Fees/Super $	Consulting Fees $	Options $	$
H S Majteles	15,000	–	47,009	62,009
A Clemen	12,000	69,150	47,009	128,159
D Zukerman	–	30,004	47,009	77,013
TOTAL	**27,000**	**99,154**	**141,027**	**267,181**

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

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

Directors receive a fixed fee (plus statutory superannuation), with executive directors being remunerated for any professional service conducted for the Company. Directors also receive benefits in the form of share-based payments. On 13 November 2007, shareholders approved the grant of 1,400,000 options to each of the Directors. The options are exercisable at 10.5 cents per option at any time up to their expiry date of 31 December 2010.The fair value of the options was determined using the Black Scholes formula. No options lapsed or were exercised during the period under review. There are no retirement schemes for any Directors or any loans or any other type of compensation.

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

Being an exploration company, with no earnings, a relationship is yet to be established between an emolument policy and the company's performance.

ANALYSIS OF MOVEMENT IN OPTIONS

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

Name	Held at 1 July 2007 $	Granted During Year $	Value of Options			Held at 30 June 2008 $
			Exercised In Year $	Expired In Year $	Sold In Year $	
H S Majteles	47,009	116,200	–	–	–	163,209
A Clemen	47,009	116,200	–	–	–	163,209
D Zukerman	47,009	116,200	–	–	–	163,209
	141,027	**348,600**	**–**	**–**	**–**	**489,627**

The value of options granted in the year is the fair value of the options calculated at grant date using the Black Scholes pricing model. The total value of options granted is included in the table above. This amount is allocated to remuneration as at the date of grant, which is also the date of vesting.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2008 and the number of meetings attended by each Director.

Name	Eligible to attend	Attended
H S Majteles	6	6
A Clemen	6	6
D Zukerman	6	6

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

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

Hersh Solomon Majteles retired by rotation as a Director at the Annual General Meeting on 13 November 2007 and was re-elected.

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

ENVIRONMENTAL ISSUES

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

EVENTS SUBSEQUENT TO BALANCE DATE

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

SHARE OPTIONS

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

(a) 106,150,000 ASX listed options, each exercisable for one ordinary share on or before 30 November 2009 at an exercise price of 5 cents each, and

(b) 28,400,000 unlisted options, each exercisable for one ordinary share on or before 31 December 2010 at an exercise price of 10.5 cents each.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the independent auditor's declaration as required by section 307c of the *Corporations Act 2001* is set out on page 61.

NON AUDIT SERVICES

No other services were provided by Grant Thornton (WA) Partnership during the period.

DIRECTORS' BENEFITS

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

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

D N Zukerman
DIRECTOR

Dated this thirtieth day of September 2008
Perth, Western Australia

Income Statement

For the Year Ended 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
REVENUE					
Interest earned		327,877	352,243	327,873	352,243
Gain on share trading		–	906,257	–	906,257
		327,877	**1,258,500**	**327,873**	**1,258,500**
EXPENDITURE					
Loss on share trading		314,584	–	314,584	–
Depreciation		23,558	1,870	18,260	1,870
Exploration costs		–	11,325	–	11,325
Management fee		191,675	156,485	191,675	156,485
Directors' fees and services		61,496	126,154	61,496	126,154
Stock exchange fees		37,116	54,264	37,116	54,264
Diminution in value of investments		–	–	–	167
Occupancy costs		184,616	143,797	172,749	143,797
Option issues expensed	24	348,600	1,641,697	348,600	1,641,697
Other operating costs		181,420	107,259	125,170	107,092
Provision against loans to subsidiaries		–	–	896,840	1,773,429
		1,343,065	**2,242,851**	**2,166,490**	**4,016,280**
PROFIT/(LOSS) BEFORE INCOME TAX		**(1,015,188)**	**(984,351)**	**(1,838,617)**	**(2,757,780)**
Income tax	4	–	–	–	–
PROFIT/(LOSS) AFTER INCOME TAX		**(1,015,188)**	**(984,351)**	**(1,838,617)**	**(2,757,780)**
Attributable to:					
Minority interest		–	–	–	–
Members of the parent entity	17	**(1,015,188)**	**(984,351)**	**(1,838,617)**	**(2,757,780)**

Earnings per share		2008 Cents	2007 Cents
Basic loss per share	18	(0.15)	(0.15)

The accompanying notes form part of these financial statements

Balance Sheet

As at 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
CURRENT ASSETS					
Cash and cash equivalents	7	4,760,455	4,643,695	4,734,541	4,643,695
Trade and other receivables	8	44,427	179,659	44,427	179,659
TOTAL CURRENT ASSETS		4,804,882	4,823,354	4,778,968	4,823,354
NON-CURRENT ASSETS					
Plant and equipment	9	83,220	51,616	45,286	51,616
Investments	10	275,546	1,991,169	275,546	1,991,169
Other financial assets	11	–	–	–	–
Exploration costs	12	2,926,337	1,914,919	446,173	141,490
TOTAL NON-CURRENT ASSETS		3,285,103	3,957,704	767,005	2,184,275
TOTAL ASSETS		**8,089,985**	**8,781,058**	**5,545,973**	**7,007,629**
CURRENT LIABILITIES					
Trade and other payables	13	97,658	64,839	93,200	64,839
TOTAL CURRENT LIABILITIES		97,658	64,839	93,200	64,839
TOTAL LIABILITIES		97,658	64,839	93,200	64,839
NET ASSETS		**7,992,327**	**8,716,219**	**5,452,773**	**6,942,790**
EQUITY					
Issued capital	14	22,010,523	22,010,523	22,010,523	22,010,523
Share option reserve	15	2,265,406	1,916,806	2,265,406	1,916,806
Foreign currency translation reserve		(57,304)	–	–	–
Accumulated losses	16	(16,226,298)	(15,211,110)	(18,823,156)	(16,984,539)
PARENT EQUITY INTEREST		7,992,327	8,716,219	5,452,773	6,942,790
Minority interest	17	–	–	–	–
TOTAL EQUITY		**7,992,327**	**8,716,219**	**5,452,773**	**6,942,790**

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the Year Ended 30 June 2008

CONSOLIDATED ENTITY	Issued Capital $	Option Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Minorities $	Total $
Balance as at 1 July 2006	**22,010,523**	**241,500**	**–**	**(14,151,242)**	**(75,517)**	**8,025,264**
Grant of options	–	1,681,698	–	–	–	1,681,698
Capital raising costs	–	(6,392)	–	–	–	(6,392)
Loss attributable to members of parent entity	–	–	–	(984,351)	–	(984,351)
Prior years subsidiary losses transferred from minority interests to economic entity	–	–	–	(75,517)	75,517	–
Balance as at 30 June 2007	**22,010,523**	**1,916,806**	**–**	**(15,211,110)**	**–**	**8,716,219**
Grant of options	–	348,600	–	–	–	348,600
Foreign currency translation reserve	–	–	(57,304)	–	–	(57,304)
Loss attributable to members of parent entity	–	–	–	(1,015,188)	–	(1,015,188)
Balance as at 30 June 2008	**22,010,523**	**2,265,406**	**(57,304)**	**(16,226,298)**	**–**	**7,992,327**

PARENT ENTITY						
Balance as at 1 July 2006	**22,010,523**	**241,500**	**–**	**(14,226,759)**		**8,025,264**
Grant of options	–	1,681,698	–	–		1,681,698
Capital raising costs	–	(6,392)	–	–		(6,392)
Loss attributable to Members of parent entity	–	–	–	(2,757,780)		(2,757,780)
Balance as at 30 June 2007	**22,010,523**	**1,916,806**		**(16,984,539)**		**6,942,790**
Grant of options	–	348,600	–	–		348,600
Loss attributable to Members of parent entity	–	–	–	(1,838,617)		(1,838,617)
Balance as at 30 June 2008	**22,010,523**	**2,265,406**	**–**	**(18,823,156)**		**5,452,773**

The accompanying notes form part of these financial statements

Statement of Cash Flows

For the Year Ended 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Cashflow from operating activities					
Payments to suppliers		(546,482)	(158,833)	(424,613)	(158,666)
Interest received		327,877	352,243	327,873	352,243
Net cash inflow/(outflow) from operating activities	19(a)	(218,605)	193,410	(96,740)	193,577
Cashflow from investing activities					
Loan to subsidiaries		–	–	(896,840)	(1,773,596)
Exploration		(1,011,418)	(1,914,919)	(304,683)	(141,490)
Proceeds from share sales		1,401,039	138,803	1,401,039	138,803
Purchase of shares		–	(11,250)	–	(11,250)
Purchase of assets		(54,256)	(53,486)	(11,930)	(53,486)
Sale of assets		–	3,055	–	3,055
Net cash (outflow) from investing activities		335,365	(1,837,797)	187,586	(1,837,964)
Cashflow from financing activities					
Proceeds from grant of options		–	40,000	–	40,000
Capital raising costs		–	(6,392)	–	(6,392)
Net cash inflow from financing activities		–	33,608	–	33,608
Net increase (decrease) in cash and cash equivalents held		116,760	(1,610,779)	90,846	(1,610,779)
Cash and cash equivalents at the beginning of the financial year		4,643,695	6,254,474	4,643,695	6,254,474
Cash and cash equivalents at the end of the financial year	7	4,760,455	4,643,695	4,734,541	4,643,695

The accompanying notes form part of these financial statements

Notes to the Financial Statements

1. Corporate information

The financial report of Metals Australia Ltd (the Company) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the Directors on 30th September 2008

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

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

2. Summary of significant accounting policies

(a) Basis of Preparation

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

The financial report is presented in Australian Dollars.

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

(b) Statement of compliance

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

(c) New Accounting standards and interpretation

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected		Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 2007–3 Amendments to Australian Accounting Standards	AASB 6	Exploration for and Evaluation of Mineral Resources	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Operating Segments in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report	1.1.2009	1.7.2009
	AASB 107	Cash Flow Statements			
	AASB 127	Consolidated and Separate Financial Statements			
	AASB 134	Interim Financial Reporting			
	AASB 136	Impairment of Assets			

AASB Amendment	Standards Affected		Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 8 Operating Segments	AASB 114	Segment Reporting	As above	1.1.2009	1.7.2009
AASB 2007–6 Amendments to Australian Accounting Standards	AASB 1	First time adoption of AIFRS	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as they already capitalise borrowing costs related to qualifying assets.	1.1.2009	1.7.2009
	AASB 101	Presentation of Financial Statements			
	AASB 107	Cash Flow Statements			
	AASB 116	Property, Plant and Equipment			
	AASB 138	Intangible Assets			
AASB 123 Borrowing Costs	AASB 123	Borrowing Costs	As above	1.1.2009	1.7.2009
AASB 2007–8 Amendments to Australian Accounting Standards	AASB 101	Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income.	1.1.2009	1.7.2009
AASB 101	AASB 101	Presentation of Financial Statements	As above	1.1.2009	1.7.2009

The financial report of the Group complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The Company's financial report does not comply with IFRS as the Company has elected to apply the relief provided to parent entities by AASB 132 Financial Instruments: Presentation and Disclosure in respect of certain disclosure requirements.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Group's accounting policies.

Adoption of new accounting standard

The group has adopted AASB 7 Financial Instruments: Disclosures and all consequential amendments which has become which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit and loss or the financial position of the entity.

(d) Basis of consolidation

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

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

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

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

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

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

(e) Interest in joint venture operation

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

(f) Foreign currency translation

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

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

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

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

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

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

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

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(g) Property, plant and equipment

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

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

Plant and equipment – over 3 to 5 years

Impairment

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

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

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

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

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

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

(h) Goodwill

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised.

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

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

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

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

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

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

(i) Recoverable amount of assets

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

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

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

(j) Investments and other financial assets

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

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. that date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or conversion in the market place.

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale-investments

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

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

(k) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development, or sale, of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

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

(l) Trade and other receivables

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

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

(m) Cash and cash equivalents

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

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

(n) Provisions

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

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

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

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

(o) Share-based payment transactions

(i) Equity settled transactions:

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

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

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

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

(ii) Cash settled transactions:

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

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

(p) Revenue

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

Sale of goods

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

Interest

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

Dividends

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

(q) Income tax

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

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

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

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

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

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

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

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

(r) Other taxes

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

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

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

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

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

(s) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(t) Contributed equity

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

(u) Earnings per share

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

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

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

(v) Comparatives

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

(i) Significant accounting judgments include:

(a) Classification of and value of investments

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

(b) Provision in and loans to subsidiaries

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

(c) Exploration expenditure

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

(ii) Significant accounting estimates and assumptions include:

(a) Share-based payment transactions

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

The Group measure the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

(b) Provision for rehabilitation

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

(c) Estimation of useful lives of assets

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

4. Income Tax

	Consolidated 2008 $	Parent Entity 2008 $
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from original activities before income tax at 30%	(331,821)	(578,850)
Add:		
Tax effect of:		
Other non-allowable items	109,474	590,546
Other assessable items	267,161	267,161
Provisions	(2,310)	(2,310)
Deferred tax asset not brought to account	–	–
Current year tax losses recouped	(35,068)	(269,111)
	339,257	586,286
Less:		
Tax effect of:		
Capital raising costs	(16,824)	(16,824)
Income accruals	9,388	9,388
	(7,436)	(7,436)
Income tax attributable to entity	–	–
Unrecognised deferred tax assets		
Unrecognised deferred tax asset losses	2,324,633	1,466,705
Unrecognised deferred tax asset other	94,357	1,113,732
Unrecognised deferred tax liabilities	(790,296)	(45,880)
	1,628,694	2,534,557

The benefits will only be obtained if:-

(i) The companies derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised;

(ii) The companies continue to comply with the conditions for deductibility imposed by the Law; and

(iii) No changes in tax legislation adversely affect the companies in realising the benefits from the deductions for the losses.

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $

5. Auditor's Remuneration

Amounts received or due and receivable by the Company's auditors for:				
Auditing and reviewing the Company's financial statements	24,269	23,654	18,813	23,654
Other services to the Company by the previous auditors	5,102	2,035	5,102	2,035
	29,371	25,689	23,915	25,689

6. Remuneration of Directors

(a) Details of Key Management Personnel are:

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

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

(b) Options and Rights Holdings

Number of Options Held by Key Management Personnel

	Balance 1 July 2007	Granted as Compensation	Options Exercised	Net Change Other
H S Majteles	1,000,000	1,400,000	–	–
A Clemen	1,000,000	1,400,000	–	–
D Zukerman	1,000,000	1,400,000	–	–
Total	**3,000,000**	**4,200,000**	**–**	**–**

The options granted during the year as compensation to Directors were granted on 13 November 2007 and vested immediately. They are exercisable at 10.5 each at any time up to their expiry date of 31 December 2010.

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
7. Cash and Cash Equivalents				
Represented by				
Cash at bank	75,374	143,695	49,460	143,695
Bank bills	4,685,081	4,500,000	4,685,081	4,500,000
	4,760,455	4,643,695	4,734,541	4,643,695
8. Trade and Other Receivables				
Current				
Other debtors	44,427	179,659	44,427	179,659
9. Plant and Equipment				
Plant and Equipment, at cost	107,742	53,486	65,416	53,486
Less: accumulated depreciation	(24,522)	(1,870)	(20,130)	(1,870)
	83,220	51,616	45,286	51,616
10. Investments				
Investments listed on prescribed Stock Exchanges				
(at market value)	275,546	1,991,169	275,546	1,991,169
11. Other Financial Assets				
Non-Current				
Investment in subsidiaries	–	–	350,167	350,167
Less: provision for diminution	–	–	(350,167)	(350,167)
Loans to subsidiaries	–	–	3,047,755	2,150,916
Less: provision for non-recovery	–	–	(3,047,755)	(2,150,916)
	–	–	–	–
12. Exploration Expenditure				
Opening balance	1,914,919	–	141,490	–
Exploration expenditure	1,011,418	1,914,919	304,683	141,490
Exploration expenditure written off	–	–	–	–
	2,926,337	1,914,919	446,173	141,490

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

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $

13. Trade and other Payables

Current				
Payables	97,658	64,839	93,200	64,839

14. Issued Capital

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

Date	Details	Number of Shares	Issue Price (cents)	Amount $
1 July 2006	**Balance**	**669,608,765**		**22,010,523**
30 June 2007	**Balance**	**669,608,765**		**22,010,523**
30 June 2008	**Balance**	**669,608,765**		**22,010,523**

15. Share Option Reserve

Date	Details	Number of Options	Unit Price (cents)	Amount $
1 July 2006	Balance	Nil		241,500
July to October 2006	Capital raising costs	–		(6,392)
30 November 2006	Grant of options	100,000,000	0.04	40,000
24 January 2007	Grant of options	3,150,000	4.01	126,328
8 March 2007	Grant of options to Directors	3,000,000	4.7	141,027
11 June 2007	Grant of options	24,200,000	5.679	1,374,343
30 June 2007	**Balance**	**130,350,000**		**1.916,806**
20 December 2007	Grant of options to Directors	4,200,000	8.3	348,600
30 June 2008	**Balance**	**134,550,000**		**2,265,406**

Capital Management

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital, supported by financial assets.

There are no externally imposed capital requirements.

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

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

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
16. Accumulated Losses				
Accumulated losses at the beginning of the year	(15,211,110)	(14,151,242)	(16,984,539)	(14,226,759)
Prior years subsidiary losses	–	(75,517)	–	–
Profit/(loss) for year	(1,015,188)	(984,351)	(1,838,617)	(2,757,780)
Accumulated losses at the end of the financial year	(16,226,298)	(15,211,110)	(18,823,156)	(16,984,539)
17. Minority Interest				
Comprises:				
Share capital	2	2	–	–
Accumulated losses	(2)	(2)	–	–
	–	–	–	–

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

	2008 Number	2007 Number
18. Earnings per Share		
Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share	669,608,765	669,608,765
Basic profit/(loss) per share – cents		
The diluted earnings per share is the same as the basic loss per share as the Group incurred a loss for the year	(0.15)	(0.15)

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
19(a). Cashflow Information				
Operating profit/(loss) after income tax	(1,015,188)	(984,351)	(1,838,617)	(2,757,780)
Exploration	–	–	–	–
Revaluation of investments	629,668	(878,024)	629,668	(878,024)
Surplus on sale of shares	(315,084)	(25,178)	(315,084)	(25,178)
Gain on disposal of fixed assets	–	(3,055)	–	(3,055)
Depreciation of plant & equipment	22,652	1,870	18,260	1,870
Decrease/(increase) in trade and other receivables	135,232	562,361	135,232	562,361
Increase/(decrease) in trade and other payables	32,819	(121,910)	28,361	(121,910)
Non cash share-based payments	348,600	1,641,697	348,600	1,641,697
Provision for loan to subsidiaries	–	–	896,840	1,773,429
Provision for investment in subsidiary	–	–	–	167
Foreign currency translations	(57,304)	–	–	–
Net cash inflow/(outflow) from operating activities	(218,605)	193,410	(96,740)	193,577

19(b). Non cash share based payments

During the year, the Company granted 4,200,000 unlisted options to Directors. The fair value of these options has been calculated using the Black Scholes option pricing model, refer to Notes 6 and 24.

20. Financial Instruments

(a) Interest Rate Risk

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

	Floating Interest Rate		Non-Interest Bearing		Total	
	2008 $ 0.00% – 7.85%	2007 $ 5.55% – 6.35%	2008 $	2007 $	2008 $	2007 $
Financial Assets						
Cash and cash equivalents	4,760,455	4,643,695	–	4,760,455	4,643,695	
Receivables	–	–	44,427	179,659	44,427	179,659
Investments	–	–	275,546	1,991,169	275,546	1,991,169
Total Financial Assets	4,760,455	4,643,695	319,973	2,170,828	5,080,428	6,814,523
Financial Liabilities						
Trade and other payables	–	–	(97,658)	(64,839)	(97,658)	(64,839)
Net Financial Assets	4,760,455	4,643,695	222,315	2,105,989	4,982,770	6,749,684

Reconciliation of Financial Assets to Net Assets

	Consolidated	
	2008 $	2007 $
Net financial assets	4,982,770	6,749,684
Exploration expenditure	2,926,337	1,914,919
Plant & equipment	83,220	51,616
	7,992,327	8,716,219

(b) Credit Risk

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

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

(c) Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements represent their respective net fair values determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

(d) Financial Risk Management

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

(e) Sensitivity Analysis

Interest Rate Risk, Foreign Currency Risk and Price Risk

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

Interest Rate Sensitivity Analysis

At 30 June 2008, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Group		Parent Entity	
	2008 $000	2007 $000	2008 $000	2007 $000
Change in profit				
– Increase in interest rate by 2%	95	93	95	93
– Decrease in interest rate by 2%	(95)	(93)	(95)	(93)
Change in Equity				
– Increase in interest rate by 2%	95	93	95	93
– Decrease in interest rate by 2%	(95)	(93)	(95)	(93)

Foreign Currency Risk Sensitivity Analysis

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

21. Investment in controlled entities

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding (%)		Book Value of Investment		Contribution to Consolidated Result	
			2008 %	2007 %	2008 $	2007 $	2008 $	2007 $
Karrilea Holdings Pty Ltd	Australia	Ordinary	80	80	–	–	(2,099)	
Tapeko Investments Ltd (Deregistered)	Australia	Ordinary	–	100	–	–	–	–
Metals Namibia (Pty) Ltd	Namibia	Ordinary	100	–	–	–	(71,312)	(167)

Metals Namibia (Pty) Ltd, incorporated in Namibia, was formerly named New Mining Company (Pty) Ltd, until its name was changed on 26 October 2007.

Tapeko Investments was deregistered on 29 June 2007.

22. Related Parties

Subsidiaries Karrilea Holdings Pty Ltd and Metals Namibia (Pty) Ltd have been loaned $2,644,817 and $402,939 respectively.

All transactions with Directors are disclosed in Note 6.

23. Segment Reporting

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

The following tables present revenue, expenditure and certain asset information regarding geographical segments for the years ended 30 June 2007 and 2008.

Year ended 30 June 2008

	Australia $	Namibia $	Consolidated $
Total segment revenue	1,728,912	4	1,728,916
Expenditure	(2,763,671)	(71,316)	(2,834,987)
Profit/(loss) after income tax	(1,034,759)	(71,312)	(1,106,071)
Segment assets	7,811,205	278,780	8,089,985
Segment liabilities	(93,200)	(4,458)	(97,658)
	7,718,005	274,322	7,992,327

Year ended 30 June 2007

	Australia $	Namibia $	Consolidated $
Total segment revenue	1,258,500	–	1,258,500
Expenditure	(2,101,430)	(141,421)	(2,242,851)
Profit/(loss) after income tax	(842,930)	(141,421)	(984,351)
Segment assets	8,781,058	–	8,781,058
Segment liabilities	(64,839)	–	(64,839)
	8,716,219	–	8,716,219

24. Share Based Payment Plan

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

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

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

None of the above options had been exercised up to 30 June 2008.

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

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

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

The expense recognised for Director, employee and consultant services received during the year is shown in the table below:

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
Expense arising from equity-settled share-based payment transactions for:				
(a) Directors	348,600	141,027	348,600	141,027
(b) Consultants	–	1,500,670	–	1,500,670
	348,600	1,641,697	348,600	1,641,697

Summary of Options Granted

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

	2008 No.	2008 WAEP (cents)	2007 No.	2007 WAEP (cents)
Outstanding at beginning of year	130,350,000	9.39	–	–
Granted during the year	4,200,000	8.30	130,350,000	9.39
Forfeited during the year	–		–	–
Exercised during the year	–		–	–
Outstanding at the end of the year	134,550,000	9.26	130,350,000	9.39

The outstanding balance as at 30 June 2008 is comprised of:

(i) 106,150,000 options over ordinary shares with an exercise price of 5 cents each, exercisable at any time up 30 September 2009;

(ii) 28,400,000 options over ordinary shares with an exercise price of 10.5 cents each, exercisable at any time up to 31 December 2010.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2008 is 1.51 years (2007: 3.39).

The range of exercise prices for options outstanding at the end of the year was 5 to 10.5 cents (2007: 5 to 10.5 cents).

The weighted average fair value of options granted during the year was 8.3 cents (2007: 5.41).

25. Commitments

(i) Mining Tenements

As part of ongoing activities, the consolidated entity is required to commit to minimum expenditures to retain its interest in its mining tenements. Over the next five years this amounts to $2,290,000, as follows:

Year Ending 30 June	Amount $
2009	458,000
2010	458,000
2011	458,000
2012	458,000
2013	458,000
	2,290,000

(ii) Management Agreement

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

26. Contingent Liabilities

No contingent liability exists for termination benefits under service agreements with directors or persons who take part in the management of the company. There were no contingent liabilities as at 30 June 2008.

27. Events Subsequent to Balance Date

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

Directors' Declaration

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 33 to 57 are in accordance with the Corporations Act 2001:
   (a) comply with Accounting Standards, the *Corporations Regulations 2001*; and
   (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the Company and consolidated group.
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
   (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
   (b) the financial statements and notes for the financial year comply with Accounting Standards; and
   (c) the financial statements and notes for the financial year give a true and fair view.
3. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

D N Zukerman
DIRECTOR

Dated this thirtieth day of September 2008
Perth, Western Australia

Independent Audit Report

Grant Thornton

INDEPENDENT AUDITOR'S REPORT
To the members of Metals Australia Limited

Grant Thornton (WA) Partnership
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Report on the Financial Report

We have audited the accompanying financial report of Metals Australia Limited (the company) which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Electronic Presentation of Audited Financial Report
This auditor's report relates to the financial report of Metals Australia Limited for the year ended 30 June 2008 included on the company's web site. The company's directors are responsible for the integrity of the company's web site. We have not been engaged to report on the integrity of the company's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site

Independence
In conducting our audit, we complied with applicable independence requirements of the *Corporations Act 2001*.

Auditor's Opinion
In our opinion:

(a) the financial report of Metals Australia Limited is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report
We have audited the Remuneration Report included in the Directors' Report on pages 4 to 5 for the year ended 30 June 2008. 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 Metals Australia Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants

P. W Warr.

P W WARR
Partner
Perth, 30 September 2008

Auditors' Independence Declaration

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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF METALS AUSTRALIA LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Metals Australia Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b. No contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants

P. Warr.

P W WARR
Partner

Perth, 30 September 2008

Corporate Governance Statement

Metals Australia Ltd has adopted the Ten Essential Corporate Governance Principles and the Best Practice Recommendations as published by the Australian Stock Exchange Corporate Governance Council. These are set out in the company's website under the following headings:

- Lay solid foundations for management and oversight by the Board
- Structure the Board to add value and discharge responsibilities
- Promotion of ethical and responsible decision making
- Safeguard integrity in financial reporting
- Make timely and balanced disclosure
- Respect the rights of shareholders
- Risk management
- Enhance performance of the Company
- Remunerate fairly and responsibly
- Recognise the interests of stakeholders

Explanations for departures from best practice recommendations

Principle 1: Lay solid foundations for management and oversight by Board.

Functions of management and Board were formalised on June 28 2004. Prior to formal adoption, separate procedures existed and were practiced, by both Board and management.

Principle 2: Structure the Board to add value and discharge responsibilities.

The Company does not have a chief executive officer having delegated the management of the company to a management services company. Director David Zukerman is a member of the executive and a consultant to the management services company. The Company considers that for the purposes of best practice recommendations, David Zukerman's position is the equivalent of chief executive officer.

The Company recognises the ASX recommends that one individual should not hold a combination of positions. The Company has an independent Chairman in Mr Majteles and the third Director, Mr Clemen is independent. This arrangement is considered appropriate due to the small size of the Company and its economic practicalities.

A separate nomination committee has not been formed as the Board comprises just three members and it was considered that no efficiencies would be achieved. The whole Board carries out the duties, but with each member excluding himself from matters in which he has a material personal interest.

Principle 3: Promotion of an ethical and responsible decision making.

A code of conduct was adopted by the Company on June 28 2004. Prior to that time the Board considers its practices were the equivalent of a code of conduct. These practices are now outlined in the written code.

A written securities trading policy was adopted on June 28 2004. Prior to that time the Directors had an understanding of the appropriate time to trade in the Company's securities.

Principle 4: Safeguard integrity in financial reporting.

A formal audit committee charter was adopted on June 28 2004 although a separate audit committee has not been formed, as due to the small size and structure of the Board, it was considered that no efficiencies would be achieved, hence the full Board carries out the function, of an audit committee. Mr Majteles and Mr Zukerman meet the requirements of financial literacy and experience.

Principle 5: Make timely and balanced disclosure.

Informal procedures were in place prior to June 28 2004 when written policies and procedures were implemented to ensure compliance with the ASX Listing Rules.

Principle 6: Respect the rights of shareholders.

The Company adopted a formal information strategy on June 28 2004 to communicate to shareholders through the website.

Principle 7: Risk Management.

The Company adopted a formal policy on risk management on June 28 2004. Prior to that time the Board had informal policies and procedures in place to identify and manage operational and financial risks.

Principle 8: Enhance performance of the Company.

The Company has a process for performance evaluation of the individual Directors by way of an informal review by the Chairman.

Principle 9: Remunerate fairly and responsibly.

The Company adopted a remuneration committee charter on June 28 2004 but has not established a separate remuneration committee as due to its small size (three Directors), all members are involved in assessing remuneration.

Principle 10: Recognise the interests of stakeholders.

The Company adopted a formal code of conduct to guide compliance with legal and other obligations in June 2004. Prior to that time the Board considered that its business practices were the equivalent of a code of conduct.

Summary

A profile of each Director is shown in the Director's Report. The independent directors of the three person Board of the Company are H S Majteles and Alex Clemen. Each director may, with approval of the Chairman, seek independent professional advice to assist the Director in the exercise and discharge of his duties as a Director, and be reimbursed for reasonable expenses in obtaining that advice. The full Board carries out the functions of a nomination committee in accordance with the Charter, relevant issues are considered at Board meetings on an as required basis.

The full three-man Board carries out the functions of the audit committee with Mr Zukerman and Mr Majteles meeting the requirements of financial literacy, expertise and industry experience. During the Reporting Period the full Board conducted informal reviews of the Company accounts on a six monthly basis.

A formal evaluation of the Board was not carried out. With a Board of three members, informal evaluation is conducted on an ongoing basis.

The full Board carries out the functions of a remuneration committee. The level of fees paid to Directors is influenced by comparing fees paid within the exploration industry and then set to attract qualified people to accept the responsibilities of directorship. Directors receive a fixed fee (plus statutory superannuation), with Executive Directors being remunerated for any professional services conducted for the Company. Directors also receive performance or equity based remuneration but there no retirement schemes for any Director.

Board Structure

Name of Director	Year Appointed	Executive	Non-Executive	Independent	Seeking re-election at 2008 AGM
HS Majteles – Chairman	1987	NO	YES	YES	NO
A Clemen	1987	NO	YES	YES	YES
D Zukerman	2003	YES	NO	NO	NO

Shareholder Information

1. Distribution of Shareholders

(a) As at 25 September 2008 the distribution of members and their shareholdings were:-

Range of Holding	Holders	Shares Held	Percent
1 – 1,000	80	57,694	0.01
1,001 – 5,000	291	1,019,253	0.15
5,001 – 10,000	489	4,217,186	0.63
10,001 – 100,000	2,114	100,343,117	14.99
100,001 and over	917	563,971,515	84.22
	3,891	**669,608,765**	**100.00**

(b) There exist 1,625 shareholders with unmarketable parcels of shares.

(c) The twenty largest shareholders as at 25 September 2008 which represents 29.79% of the paid up capital were as follows:

Name of Holder	Number	%
ANZ Nominees Limited (Cash Income Account)	44,854,210	6.70
Pan Pacific Mining Pty Ltd	35,000,000	5.23
I-CAN Limited	17,000,000	2.54
Pio Services Limited	15,057,000	2.25
Doyle Family Superannuation Fund	12,906,795	1.93
L C Asia Limited	12,720,000	1.90
Yarraandoo Pty Ltd	8,601,936	1.28
Raymond Shimizu	7,965,000	1.19
Boulevade Investments Pty Ltd	5,500,000	0.82
Cofordo 235 Pty Ltd	5,257,390	0.79
HSBC Custody Nominees (Australia) Pty Ltd	5,013,900	0.75
Miljenko, Iva & Frank Zuvela	5,000,000	0.75
National Nominees Ltd	3,813,201	0.57
Frank Brewer	3,252,000	0.49
Romadak Pty Ltd (Romadak Super Fund)	3,150,000	0.47
Philip George Hamlyn	3,076,275	0.46
Francis John & Corazon Rante Hall	3,075,000	0.46
Citicorp Nominees Pty Ltd	2,842,685	0.42
Merrill Lynch (Australia) Nominees Pty Ltd	2,753,804	0.41
Yarraandoo Pty Ltd (Yarraandoo Super Fund A/c)	2,575,000	0.38
	199,414,196	29.79

(d) Substantial Shareholders

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

Name	Number of Ordinary Shares	Percentage of Issued Capital
Pan Pacific Mining Pty Ltd together with group member Caconda Pty Ltd	36,500,000	5.45%

2. Distribution of Optionholders

(a) As at 25 September 2008 the distribution of optionholders for options with an exercise price of 5 cents, and which expire on 30 September 2009 were:-

Range of Holding	Holders	Options Held	Percent
1 – 1,000	0	0	0.00
1,001 – 5,000	3	10,300	0.01
5,001 – 10,000	11	101,960	0.10
10,001 – 100,000	98	5,740,240	5.41
100,001 and over	131	100,297,500	94.48
	243	**106,150,000**	**100.00**

(b) There exist 89 optionholders with unmarketable parcels of options.

(c) The twenty largest optionholders in this class, as at 25 September 2008, which represents 52.56% of this class of options, were as follows:

Name of Holder	Number	%
Frank Brewer	13,252,000	12.48
Yarraandoo Pty Ltd (Yarraandoo Super Fund A/c)	6,360,058	5.99
Ross Langdon & Linda Alison Divett	6,300,000	5.93
Doyle Family Superannuation Fund	3,630,522	3.42
Elmasri Investments Pty Ltd (Super Fund A/c)	3,362,000	3.17
Madora View Pty Ltd (Thomas Family Super Fund A/c)	2,235,127	2.11
FNQ Wealth Creation	2,100,000	1.98
Lawrence & Jill Armstrong	2,000,000	1.88
Stanley Paulo	2,000,000	1.88
UBS Nominees Pty Ltd (TP00014 15 A/c)	1,730,000	1.63
Anthony & Kerry Keller	1,529,045	1.44
Sydney Nossiter	1,500,000	1.41
Sabstern Pty Ltd	1,379,000	1.30
Judith Melva Sullivan	1,300,830	1.23
Kamal Matta	1,281,177	1.21
Sharon Lewis	1,240,000	1.17
Gerald Michael Statham	1,140,000	1.07
Cofordo 235 Pty Ltd	1,131,167	1.07
Hill Winds Pty Ltd	1,120,000	1.06
Navarro Superannuation Fund	1,118,000	1.05
	55,608, 926	52.38

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

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