

ANNUAL REPORT 2012

MLS

METALS AUSTRALIA LTD

ACN: 008 982 474

ANNUAL REPORT

2012

METALS AUSTRALIA LTD

CONTENTS

	Page No.
• Corporate Directory	1
• Review of Operations	2
• Directors' Report	12
• Consolidated Statement of Comprehensive Income	17
• Consolidated Statement of Financial Position	18
• Statement of Changes in Equity	19
• Statement of Cash Flows	20
• Notes to the Financial Statements	21
• Directors' Declaration	47
• Independent Audit Report	48
• Auditor's Independence Declaration	51
• Corporate Governance Statement	52
• Shareholder Information	66

METALS AUSTRALIA LTD

CORPORATE DIRECTORY

DIRECTORS

Hersh Solomon Majteles (Chairman)
Michael Scivolo (appointed 23.07.2012)
David Zukerman

AUDITORS

Grant Thornton (WA) Partnership
10 Kings Park Road
West Perth WA 6005

COMPANY SECRETARY

Norman Grafton

BANKERS

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

REGISTERED OFFICE

1st Floor, 8 Parliament Place
West Perth WA 6005

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

SHARE REGISTRY

Advanced Share Registry Limited
109 St Georges Terrace
Perth WA 6000

Telephone: (08) 9389 8033
Facsimile: (08) 9389 7871

SOLICITORS

Gilbert & Tobin
1202 Hay Street
West Perth WA 6005

SECURITIES EXCHANGE LISTING

The Company is listed on the Australian
Securities Exchange

Home Exchange: Perth, Western Australia

ASX code for shares: MLS
ASX code for listed options : MLSO

ANNUAL ACTIVITIES REPORT

URANIUM PROJECTS, NAMIBIA

During the June 2012 quarter, very positive results were returned in the final batch of 154 assays received from the trench sampling at the Mile 72 Project in Namibia (Figure 1). Assays were also received from the pilot shallow RC drilling programme of 231 drillholes for 1,023m at Mile 72 which showed strong anomalism away from the main Kudu-Impala prospect.

At the Engo Valley Project (Figure 1) the environmental clearance and access permit for surface exploration work was recently received, opening the way for on-ground exploration.

THE MILE 72 URANIUM PROJECT

The Mile 72 Uranium Project is a large uranium project on the coast of Namibia, north of the city of Swakopmund. Some of the highest uranium grades in the world have been recorded in outcrop and in shallow pits at Mile 72.

Metals has entered into a new phase of exploration, targeting a large high-tonnage moderate grade primary deposit of a similar style to the Rössing and Husab mines to the south.

During the year, a series of programmes have aimed to:

1. Fully capture the extent of surface uranium mineralisation
2. Test various mineralisation models as exploration continues.

Surface trenching

Surface trenching at Mile 72 was significantly expanded this year, going from around 360 samples to over 1,250 samples. This resulted in extension of the Kudu-Impala surface uranium anomalism over the entire 10 km strike length located within the licence area.

Grades achieved from the 2011/2012 surface trenching programmes were amongst the highest recorded at Mile 72, with results as high as 13,912 ppm U_3O_8 (1.39% U_3O_8).

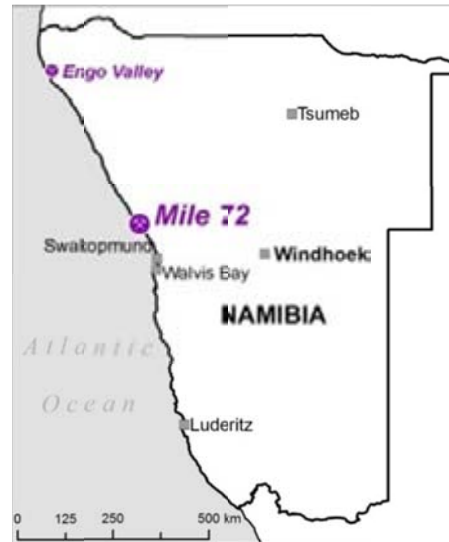


Figure 1 – Location of the Mile 72 uranium project, Namibia.



Figure 2 – Hand-dug sampling of subcropping weathered rocks in the NE Extension area.

REVIEW OF OPERATIONS

A high proportion of samples exceeded 1,000 ppm U₃O₈ at surface. In addition, significant intervals of high uranium values were recorded. For example, intervals of up to nearly 300 m in length with in excess of 900 ppm U₃O₈ were identified on Line 5.

All of the high-grade zones are in areas of outcropping or subcropping schists, granites and alaskites, and in some cases in areas of basaltic cover. The mineralisation occurs as carnotite within gypcrete, as at all other localities of high grade mineralisation at Mile 72.

It is apparent that the surface mineralisation is a concentration of uranium and gypcrete that has formed by evaporation at surface. Evaporated groundwaters are therefore rich in uranium and reflect the presence of uranium in the subsurface in the vicinity of the surface anomalies.

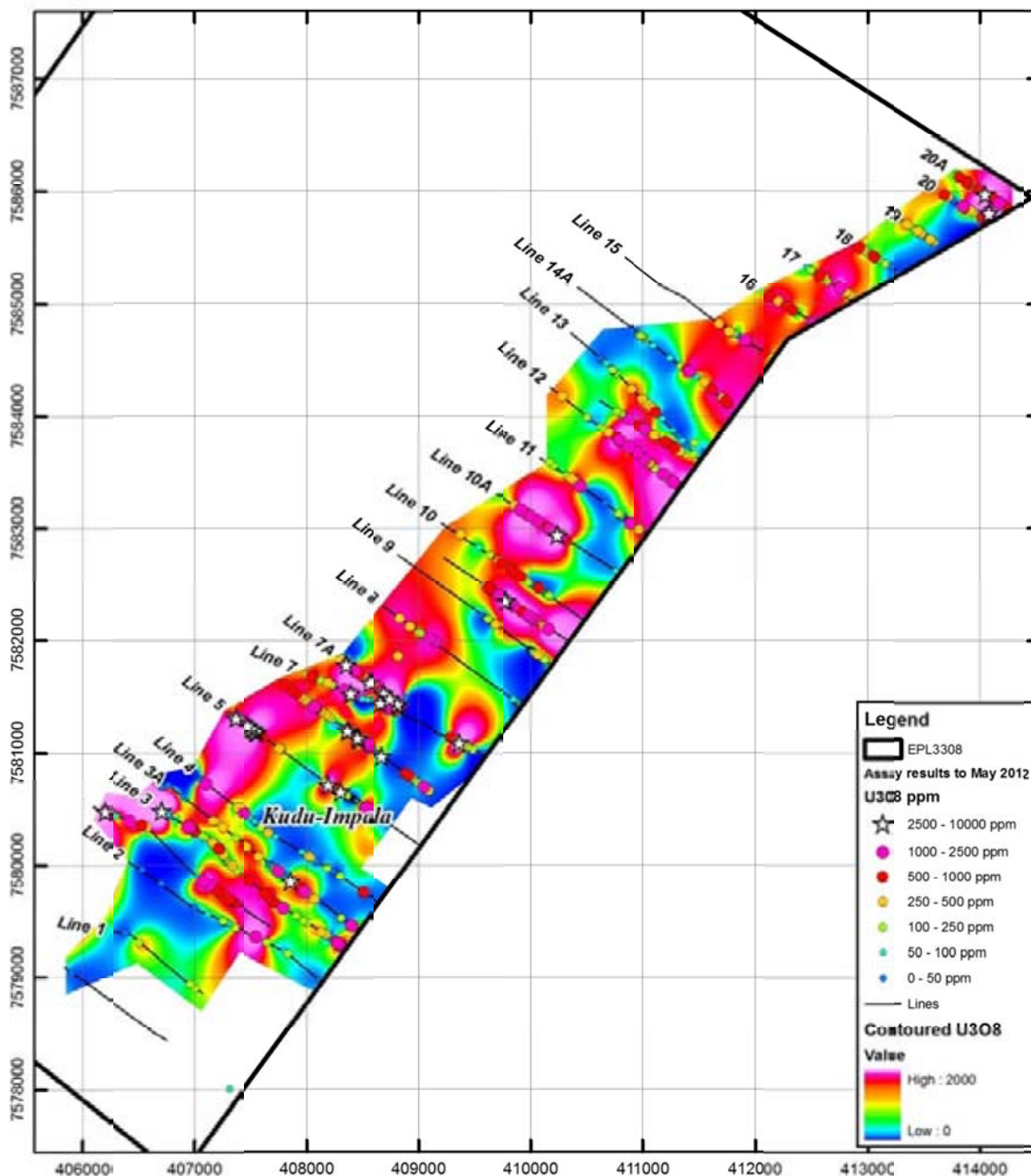


Figure 3 – Uranium distributions determined by Metals Australia throughout the Mile 72 licence area. Assay results are plotted over a contoured plot of U₃O₈ distributions. Total strike length of uranium anomalism now exceeds 10km and width is over 2km in places.

Radon cup and EM surveys

A radon cup survey was carried out at Mile 72 to detect mineralisation in sand-covered areas of the licence area. Simultaneously, an EM (electromagnetic) survey was performed to understand the architecture of the overlying sands in case they hosted uranium mineralisation.

Radon cup surveys are widely considered to be an effective method for identifying uranium mineralisation in the subsurface, to a depth of up to 100 m beneath cover. The particular technique used at Mile 72, RadonXTM, has been used previously to successfully delineate buried mineralisation at the Husab (Rössing South) and Etango deposits in the Namibian Damaran Uranium Province, where Mile 72 is located. The results of the RadonX survey show that there must be significant uranium in the subsurface in the sand-covered parts of the Mile 72 licence.

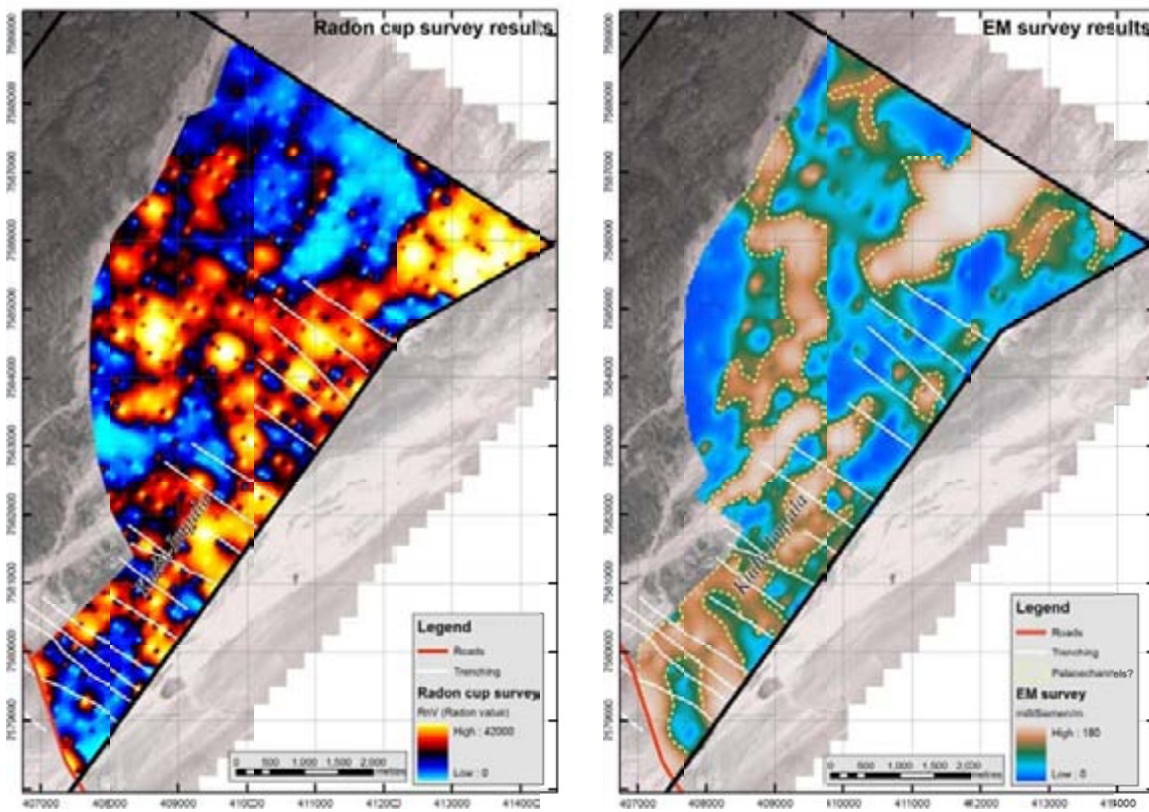


Figure 4 – Results of the Radon cup survey (left) and the EM survey (right).

The results of the Radon cup survey directly led to the discovery of near-surface uranium mineralisation to the northeast of Kudu-Impala. Considering that the technique detects subsurface uranium mineralisation to a depth of around 100 m, the anomalies detected remain untested to date.

Pilot shallow RC drilling programme

A short pilot programme of shallow RC drilling was completed at Mile 72, late in the March quarter. The programme was designed to test for shallow secondary calcrete-hosted uranium mineralisation within channels; that is, mineralisation of a similar style to Langer-Heinrich in Namibia and Yeelirrie in Western Australia. Most holes were less than 5 m deep. The programme is part of the systematic approach being taken by the Company to thoroughly explore all possible styles of uranium mineralisation at Mile 72.

Although some very encouraging results were received, it is clear that, in the areas tested, there is no significant calcrete-hosted deposit present in the shallowest subsurface. The presence of uranium mineralisation within the bottom-of-hole samples suggests that there is ample opportunity for deeper Rössing-style mineralisation in the drilled areas. This is further backed up by the presence of extensive radon cup anomalies.

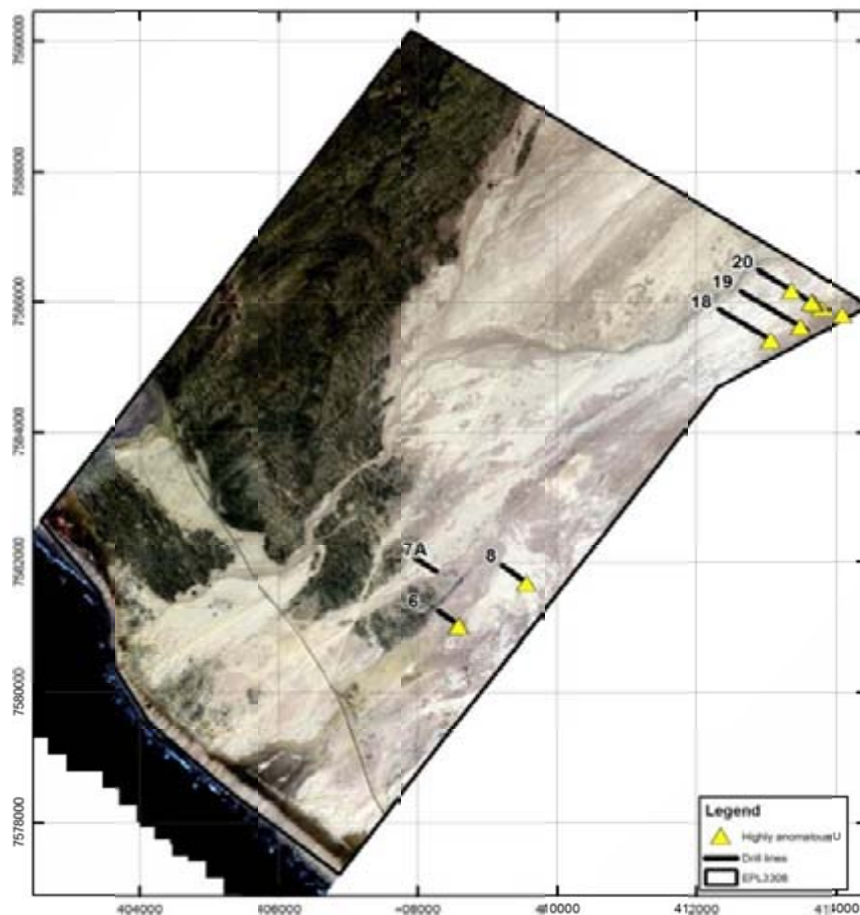


Figure 5 – Satellite image of the Mile 72 licence area, showing the recent RC drill fences. At Kudu-Impala, NE Extension, and Central Areas, “weathered rock” areas have been trench sampled and an initial 231 drillhole programme has been completed in the “gravel” areas in the current programme.

Assay results from the drilling showed that seventeen (17) samples exceeded 100 ppm U₃O₈ (Figure 5). Despite the wide spacing of the lines, there are distinct north-easterly correlations of bottom-of-hole results between lines. These correlations directly follow the north-easterly strike of the schists, granites and alaskites throughout the Project area.

A new phase of exploration at Mile 72

The elimination of Langer Heinrich-style calcrete-hosted mineralisation from the list of targets at Kudu-Impala means that Metals has moved into a new phase of exploration at Mile 72. The clear target is now primary uranium mineralisation within the granite-schist-alaskite basement sequence. Primary mineralisation within the licence area is most likely to be of a similar style to the Rössing and Husab deposits.

Granite-hosted primary uranium deposits are typically high tonnage and moderate grade (250-600 ppm or 0.25-0.6 kg/t U₃O₈). As such, the grades encountered at surface at Mile 72 are not expected to be encountered at depth but are, rather, a surface enrichment feature indicative of mineralisation at depth.

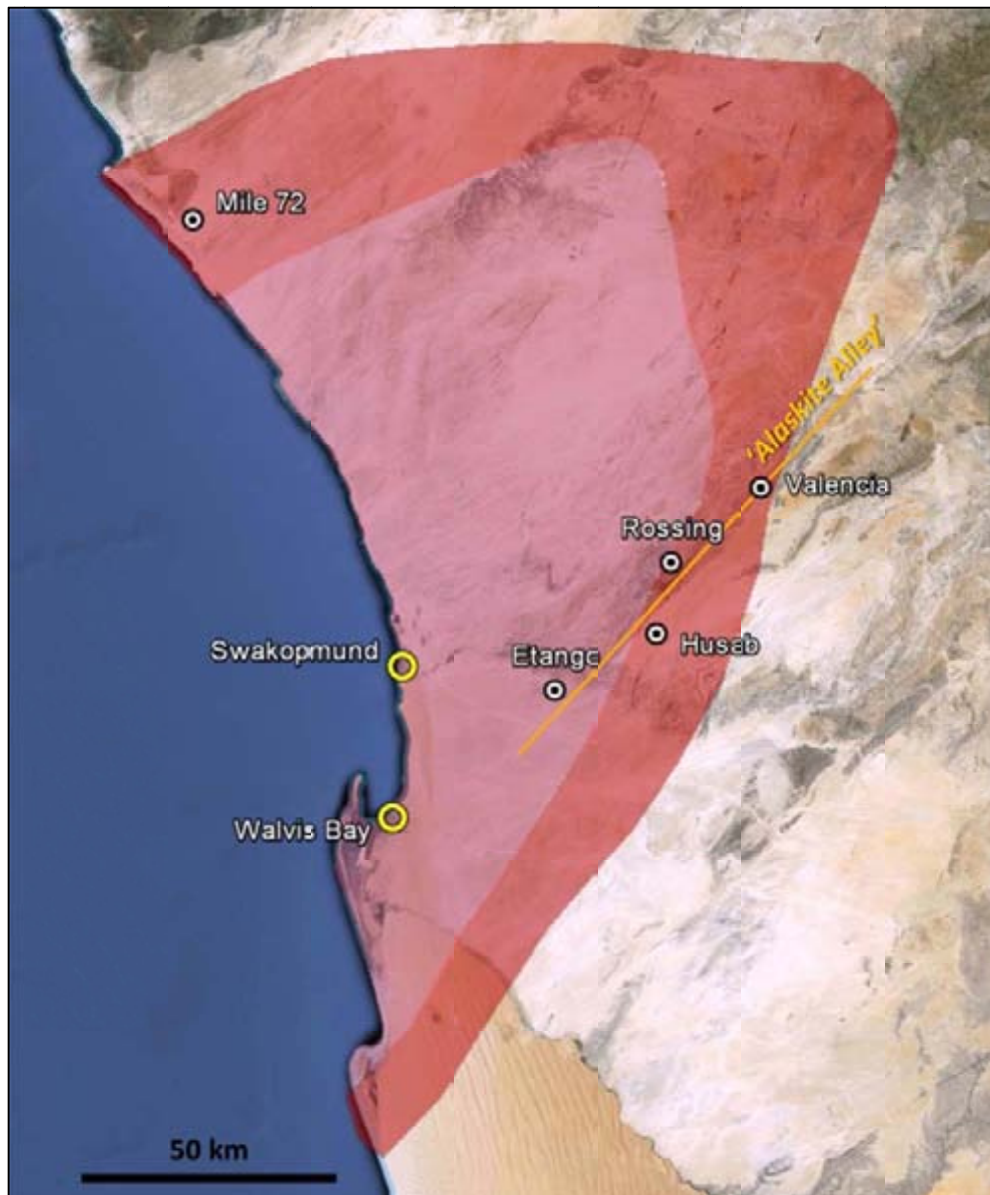


Figure 6 – Diagram showing areas of alaskite genesis in relation to the alaskite-hosted uranium deposits of the region. Mile 72 is clearly located in the heart of the same zone as the major uranium deposits of “Alaskite Alley”. The outer red area marks the zone in which geological conditions peaked at the pressures and temperatures required to generate alaskites. The inner pink area represents where geological conditions passed through and exceeded pressures and temperatures required to generate alaskites, but which may have generated alaskites at some point in their history.

Metals is presently reviewing in detail all historic and recent data collected at and around Mile 72. Some of the key findings to date include:

A regional geological assessment shows that the Mile 72 area has an equivalent propensity to generate alaskites (the hosts to uranium mineralisation) as the Alaskite Alley area that contains Rössing and Husab (Figure 6).

Interpretation of the Kudu-Impala geology from geophysics shows that unique geological features, which may be important in the concentration of uranium mineralisation, do not extend far beyond the EPL3308 licence boundary.

Uranium that is concentrated at surface at Kudu-Impala must be sourced from the basement sequence within the licence area, and has not been transported in from elsewhere.

Primary granite-hosted mineralisation is present at the historic Mile 72 mine around 5 km east of Kudu-Impala (outside of EPL3308).

Groundwaters may have shifted the surface uranium anomalies relative to subsurface mineralisation to a limited extent.

For a mineralised profile in this type of weathering environment, we will expect to see very high grades at surface, followed by a zone of depletion (maybe 20-50 m depth) that contains very little or no mineralisation, followed by fresh primary mineralisation.

Several targets have been identified that require further refining and analysis prior to drilling and we expect to identify several more as work progresses.

Metals will continue to assess and investigate the Mile 72 licence using all methods necessary. A high-resolution aeromagnetic survey is scheduled to be undertaken as soon as possible. This will be used to refine targeting in identified drill target areas. The forthcoming drilling programme will comprise an array of deep (around 80-100 m), widely spaced holes over the chosen target areas. This first pass drilling programme will serve as a precursor to subsequent more substantial resource definition programmes.

THE ENGO VALLEY URANIUM PROJECT

The Engo Valley project (EPL3306) is located in the remote northwest of Namibia in the Skeleton Coast (National) Park. Access Permits are required to visit the Skeleton Coast Park and there are no roads and no habitable sites within the 16,000 km² park.

The Company has only recently been granted an Environmental Clearance and Access Permit to explore the Engo Valley area. An initial programme of mapping and surface sampling will provide a basis for further future work.

ANGRA FRIA PORT PROPOSAL

The Ministry of Works and Transport is proposing location of a new deep water port facility at Angra Fria, immediately adjacent to the licence area. This port will service northern Namibia as well as the mining areas of the DRC and Zambia. The feasibility study is expected to be completed in March 2013. At present, the proposal is for excavation of the Brakpan salt lake in order to create an inland harbour, with access to the ocean at Angra Fria. The study will also assess requirements for additional infrastructure such as railways, roads, power and water supply, as well as location of population centres to operate the port.

The location of a major port immediately adjacent to the Engo Valley licence area is likely to facilitate access to the area and, should a uranium deposit be defined, be greatly advantageous for exploitation.

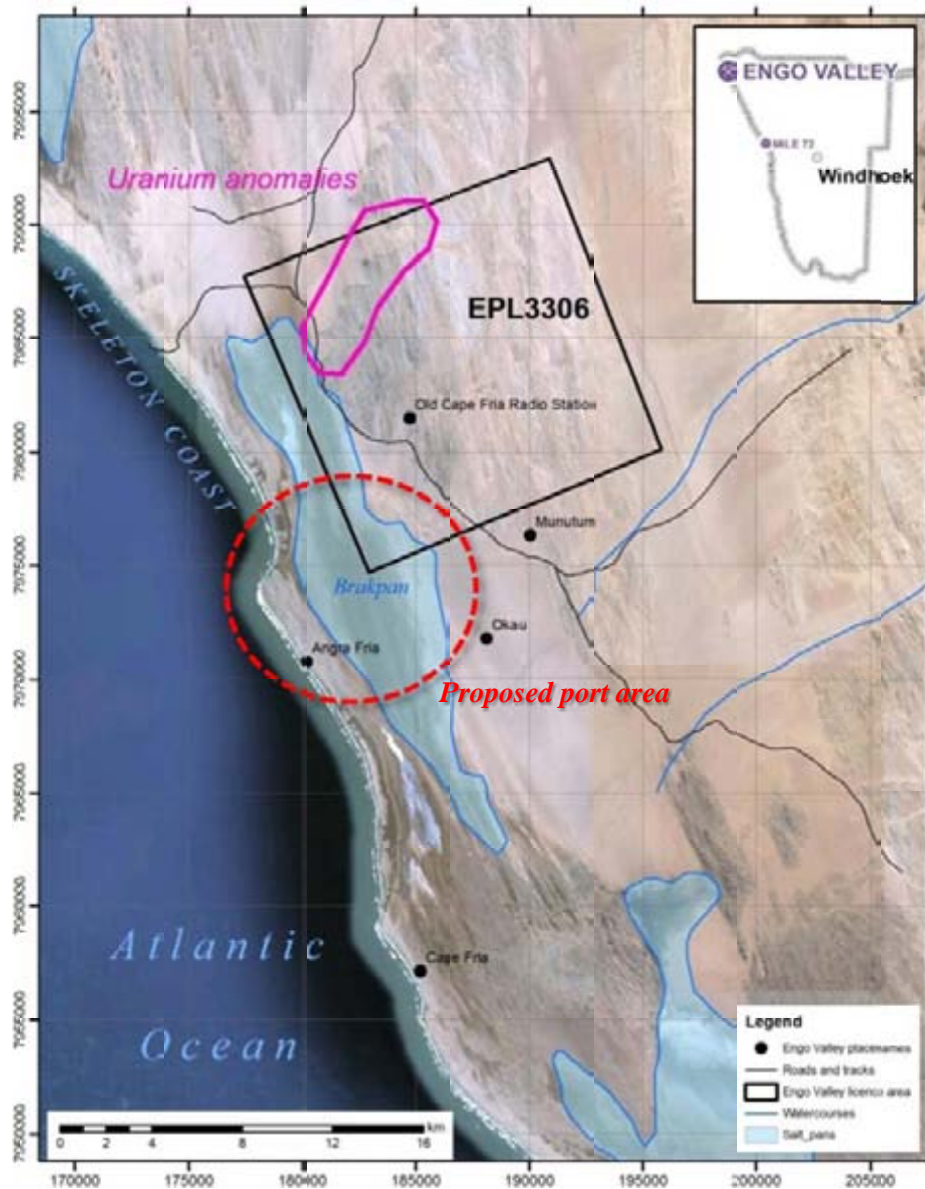


Figure 7 – The Engo Valley (EPL3306) licence area and surrounds.

BASE METAL PROJECTS, WESTERN AUSTRALIA

Metals currently holds an interest in two base metals projects in Western Australia.

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

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

MANINDI ZINC PROJECT

This year at Manindi, the project was progressed by an in-depth review of all data and geophysical surveys over the entire tenement package.

Metals is of the opinion that only a small portion of the deposit has been recognised to date. Past drilling has been relatively shallow, and a number of geological indicators suggest that the known mineralisation may be part of a much larger, zoned copper-lead-zinc(-silver-gold) system. With this outlook, the Company is investigating the potential for extensions or outliers of mineralisation that will significantly increase the resource at Manindi.

A series of geophysical anomalies suggest that there may indeed be extensions to Manindi that will require investigation. A Versatile Time-domain ElectroMagnetic (VTEM) geophysical survey was undertaken over the entire group of tenements. This type of survey detects conductive material at depth, which can contain base metal mineralisation. In addition to the expected anomalism over defined mineralisation, an additional 3 substantial targets have been defined based on conductor strength, geological setting and coincidence with other geophysical datasets.

These areas were subject to a series of Fixed-Loop Time-domain ElectroMagnetic (FLTEM) geophysical surveys. The FLTEM surveys confirmed each of the VTEM anomalies, providing a number of drill targets at Manindi. These targets have the potential to significantly upgrade the resource at Manindi and have been ranked for future drill testing

The Manindi zinc project is a significant resource located in the Murchison District of Western Australia, 20 km southwest of the defunct Youanmi gold mine.

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

Metals has previously delineated a JORC resource of:

1.354 million tonnes @ 6.04% Zinc, 0.25% Copper, 3.4 g/t Silver & 0.25 g/t Gold

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

Measured 497,000 tonnes @ 7.32% Zinc
Indicated 438,000 tonnes @ 6.38% Zinc
Inferred 419,000 tonnes @ 4.14% Zinc



Figure 8 – Location of the Western Australian base metals projects.

SHERLOCK BAY EXTENDED BASE METAL PROJECT

The Sherlock Bay Extended project is composed of two Exploration Licences (E47/1769 and E47/1770), which surround the main Sherlock Bay nickel deposit (wholly owned by Australasian Resources Ltd - 'ARH'). The project is prospective for nickel, copper, silver and gold mineralisation.

The project is a joint venture between ARH (70% interest) and Metals (30% interest). ARH 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.

A series of studies were undertaken over the project during the year. These included a biogeochemical survey of the licence areas in order to define subtle geochemical anomalies that may be indicative of subsurface mineralisation. Interpretation of the biogeochemical sample results requires an understanding of local topography and drainage in order to identify areas of potential dislocated or smeared anomalism (for example, where an anomaly is recognised along a drainage system but relates to mineralisation at a certain point within that drainage).

Work is continuing on identifying anomalies within the licence areas. Biogeochemical sampling has been shown to identify nickel anomalism associated with the Sherlock Bay Nickel Deposit. With several areas of anomalism identified beyond the Sherlock deposit area by previous sampling programmes it is hoped the currently planned work will generate a number of targets sufficient to justify a combined drilling programme.

GOLD PROJECTS, VICTORIA

Metals holds two low impact exploration licences in western Victoria. The South Arnaud (EL5242) and Wedderburn (EL5243), projects contain significant historic workings that have received little modern and systematic exploration.

During the year Wedderburn and South Arnaud were the focus of fieldwork and research aimed at assessing their respective gold prospectivities. On both projects, it is clear that there is considerable potential for gold mineralisation both as an extension to historic workings and beneath the broad areas of soil cover on each licence.

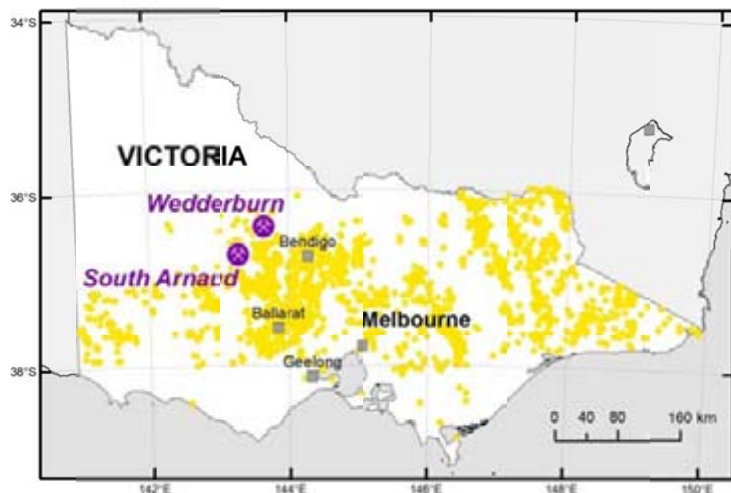


Figure 9 – Location of the Wedderburn and South Arnaud projects in western Victoria. Yellow dots represent gold deposits and prospects, and their distribution highlights the rich gold belts of Victoria.

Both Wedderburn and South Arnaud underwent requisite 25% drop-offs of their respective licence areas. Extensive on-ground and historical assessment of two other projects held by the Company, Moyston and Scarsdale, indicated that they did not meet the Company's criteria for exploration potential, and were surrendered.

Detailed aeromagnetic surveys were undertaken on the Wedderburn and South Arnaud licences. Historic gold mines beneath the town of Wedderburn are some of the most northerly in Victoria. Further north within the Wedderburn licence, the gold-bearing host rocks that are exposed in town are obscured by the overlying sands and clays of the Murray Basin. The new geophysical surveys have targeted these covered areas because they were not explored during the Victorian gold rush of the mid-1800s and hold the potential for a virgin gold discovery. The data from the aeromagnetic surveys (Figure 10) is

of very high quality and will enable identification of gold targets throughout the project areas. Analysis and interpretation of the data is underway.

The Victorian Goldfields were discovered in the gold rushes of the mid-1800s, with all significant gold mining activity ceasing by 1930. Government records show that numerous gold prospects, mines and occurrences are documented within the licence areas.

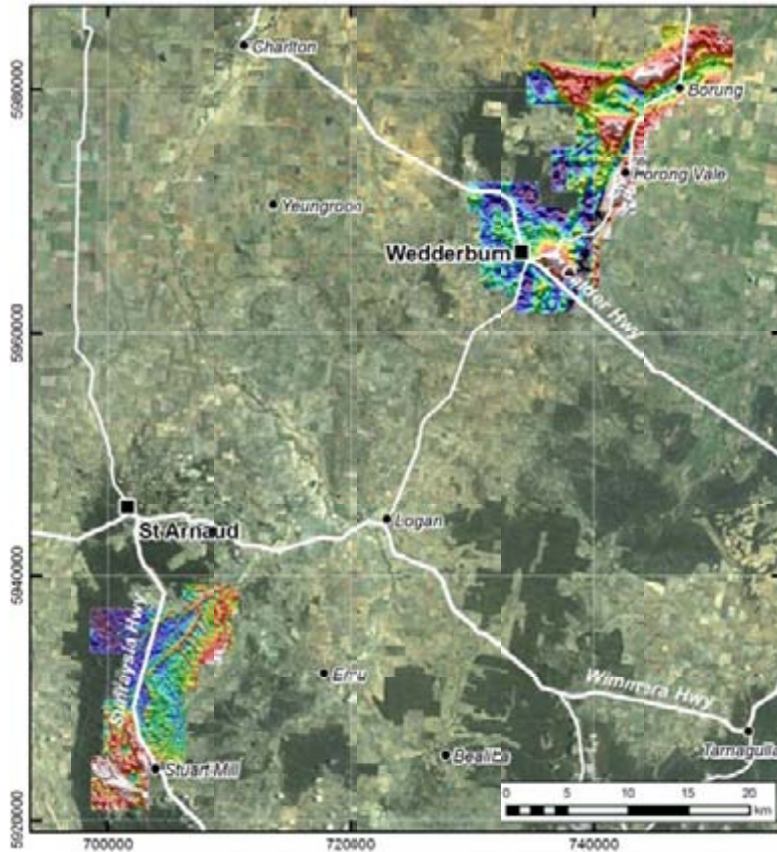


Figure 10 – Results of the magnetic surveys over the Wedderburn (top right) and South Arnaud (bottom left) projects in western Victoria.

Competent Persons Declaration

The information in this release relating to the geology and exploration results of the projects owned by Metals Australia Ltd is based on information compiled by Dr Matthew Painter, Consulting Geologist for Metals Australia and a part time consultant to Metals Australia. Dr Painter is a member of The Australian Institute of Geoscientists, a Recognised Professional Organisation by the Australasian Joint Ore Reserves Committee, who has sufficient experience relevant to the style of mineralisation and types of deposits under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Painter consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Forward-Looking Statements

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

METALS AUSTRALIA LTD

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Metals Australia Ltd and its controlled entities for the year ended 30 June 2012.

DIRECTORS

The following were Directors of Metals Australia Ltd during the financial year (with the exception of Mr Clemen who died in July 2012) and up to the date of this report:

Hersh Solomon Majteles (Chairman)
David Zukerman
Alexander Clemen

Mr Michael Scivolo was appointed on the 23 July 2012 to fill the vacancy arising from the death of Mr Clemen.

PRINCIPAL ACTIVITIES

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

RESULTS

The Group profit/(loss) for the financial year after providing for income tax amounted to (\$1,178,651) (2011: \$747,778 profit).

DIVIDENDS

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

FINANCIAL POSITION

The net assets of the group have increased by \$1,276,127 from \$6,387,390 at 30 June 2011 to \$7,663,517 at 30 June 2012.

SIGNIFICANT CHANGES

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

LIKELY DEVELOPMENTS

The Group will continue to focus on its exploration 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. Mr Majteles is also a Director of Blaze International Ltd, Prime Minerals Ltd, Power Resources Ltd and Chairman of Promesa Limited.

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

Mr Clemen was a Director until 23 July 2012 and was a qualified geologist with over thirty years experience practising in this field. He worked for several large international mining companies in various parts of the world and gained experience in exploring for gold, base metals, industrial

METALS AUSTRALIA LTD

DIRECTORS' REPORT

minerals and diamonds. During the past three years he served as a Director of Golden Deeps Ltd and Sabre Resources Ltd.

(iii) 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.

(iv) Michael Scivolo B, Com, FCPA

Mr Scivolo has extensive experience in the fields of accounting and taxation in both corporate and non-corporate entities and was appointed as a Director on 23 July 2012. He is also a Director of Victory West Metals Ltd, Blaze International Ltd, Prime Minerals Ltd, Power Resources Ltd, Metals Australia Ltd and Golden Deeps Limited.

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

Norman Grafton 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.

(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	-
D Zukerman	-	-
M Scivolo	-	25,000

(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) 2012

Key Management Personnel	Short-term Benefits		Superannuation	Share-based Payment Options	Total
	Directors Fees	Consulting Fees			
	\$	\$		\$	\$
H S Majteles	58,344	-	2,700	-	61,044
A Clemen	12,000	99,250	-	-	111,250
D Zukerman	-	7,440	9,383	-	16,823
N Grafton	-	28,236	9,240	-	37,476
TOTAL	70,344	134,926	21,323	-	226,593

METALS AUSTRALIA LTD

DIRECTORS' REPORT

2011

Key Management Personnel	Short-term Benefits		Superannuation	Share-based Payment Options	Total
	Directors Fees	Consulting Fees			
	\$	\$		\$	\$
H S Majteles	25,000	-	2,250	-	27,250
A Clemen	12,000	54,589	-	-	66,589
D Zukerman	-	6,860	8,000	-	14,680
N Grafton	-	21,846	8,154	-	30,000
TOTAL	37,000	83,295	18,404	-	138,699

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.

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

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

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

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

ANALYSIS OF MOVEMENT IN OPTIONS

There was no movement of options over ordinary shares in the Company held by each Company Director during the reporting period, as detailed below.

Name	Held at 1 July 2011	Granted During Year	Value of Options			Held at 30 June 2012
			Exercised In Year	Expired In Year	Sold In Year	
	\$	\$	\$	\$	\$	\$
H S Majteles	-	-	-	-	-	-
A Clemen	-	-	-	-	-	-
D Zukerman	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

No options were granted to Directors during the year under review.

METALS AUSTRALIA LTD

DIRECTORS' REPORT

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2012 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

Alex Clemen retired by rotation as a Director at the Annual General Meeting on 30 November 2011 and was re-elected. The Directors record, with great regret, that Mr Clemen died in July 2012.

Michael Scivolo, who was appointed to fill a casual vacancy on the death of Mr Clemen on the 23 July 2012, he offers himself for election.

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

ENVIRONMENTAL ISSUES

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

EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years

INDEMNIFYING OFFICER OR AUDITORS

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

OPTIONS

As at the date of this report, the unissued ordinary shares of Metals Australia Ltd under option are as follows:

Grant Date	Listed/Unlisted	ASX Code	Date of expiry	Exercise Price	Number under option
15 September 2011	Listed	MLSO	30 September 2013	\$0.02	163,665,000
20 January 2012	Unlisted	MLSAI	1 December 2013	\$0.05	14,881,579
29 February 2012	Unlisted	MLSAI	1 December 2013	\$0.05	19,905,405
22 March 2012	Unlisted	MLSAI	1 December 2013	\$0.05	28,983,783
22 March 2012	Unlisted	MLSAM	14 November 2013	\$0.04	6,000,000

Option holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity,

There have been no unissued shares or interest under option of any controlled entity within the group during or since the reporting date.

For details of options issued to directors and executives as remuneration, refer to Remuneration Report.

METALS AUSTRALIA LTD

DIRECTORS' REPORT

PROCEEDINGS ON BEHALF OF THE COMPANY

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the independent auditor's declaration as required by section 307c of the *Corporations Act 2001* is set out on page 51.

DIRECTORS' BENEFITS

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

AUDIT COMMITTEE

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

NON AUDIT SERVICES

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

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

During the year under review, Grant Thornton also provided services in relation to taxation matters. Details of the amounts paid and payable to the auditor of the company, Grant Thornton (WA) Partnership for audit and non-audit services provided during the year are set out in Note 5 to the Financial Statements.

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



D Zukerman
DIRECTOR

Dated this twenty sixth day of September 2012
Perth, Western Australia

METALS AUSTRALIA LTD

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	Consolidated 2012 \$	2011 \$
Revenue			
Interest earned		87,835	125,878
Re-instatement of Tenement	11	-	1,265,080
Other income		-	35,178
		87,835	1,426,136
Expenditure			
Change in fair value of investments		259,696	(86,325)
Loss on disposal of assets		-	40,592
Impairment of exploration costs		22,178	13,726
Management fees		246,779	238,154
Directors' fees and services		89,867	77,284
Stock exchange fees		40,171	23,956
Administration costs		176,879	176,131
Consulting Fees		123,465	-
Other operating costs		236,960	166,584
Options expense		70,800	-
Depreciation expense		49,817	28,256
		1,316,612	678,358
Profit/(loss) before income tax		(1,228,777)	747,778
Income tax benefit	4	(50,126)	-
Profit/(loss) after income tax		(1,178,651)	747,778
Attributable to:			
Minority interest		-	-
Members of the parent entity	15	(1,178,651)	747,778
Other Comprehensive Income:			
Exchange differences on translating foreign controlled entities		(102,947)	(44,540)
Total Comprehensive Profit/(loss) for the year		(1,281,598)	703,238
Total Comprehensive Income attributable to:			
Minority interest	16	-	-
Members of the parent entity		(1,281,598)	703,238
Total Comprehensive Income		(1,281,598)	703,238
Earnings per share		2012 Cents	2011 Cents
Basic and diluted profit/(loss) per share	17	(0.17)	0.11

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

METALS AUSTRALIA LTD

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012**

	Notes	Consolidated 2012 \$	2011 \$
CURRENT ASSETS			
Cash and cash equivalents	7	2,216,314	1,659,752
Trade and other receivables	8	75,560	57,740
TOTAL CURRENT ASSETS		2,291,874	1,717,492
NON-CURRENT ASSETS			
Plant and equipment	9	49,506	55,461
Financial assets	10	288,379	548,076
Exploration and evaluation expenditure	11	5,163,431	4,197,560
TOTAL NON-CURRENT ASSETS		5,501,316	4,801,097
TOTAL ASSETS		7,793,190	6,518,589
CURRENT LIABILITIES			
Trade and other payables	12	129,673	131,199
TOTAL CURRENT LIABILITIES		129,673	131,199
TOTAL LIABILITIES		129,673	131,199
NET ASSETS		7,663,517	6,387,390
EQUITY			
Issued capital	13	24,613,601	22,126,676
Share option reserve	14	2,351,206	2,280,406
Foreign currency translation reserve		271,472	374,419
Accumulated losses	15	(19,572,762)	(18,394,111)
PARENT EQUITY INTEREST		7,663,517	6,387,390
Minority interest	16	-	-
TOTAL EQUITY		7,663,517	6,387,390

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

METALS AUSTRALIA LTD

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012**

CONSOLIDATED ENTITY					
	Issued Capital	Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2010	22,010,523	2,265,406	418,959	(19,141,889)	5,552,999
Total other comprehensive income for the year	-	-	(44,540)	-	(44,540)
Shares/options issued	116,153	15,000	-	-	131,153
Loss attributable to members of parent entity	-	-	-	747,778	747,778
Balance as at 30 June 2011	22,126,676	2,280,406	374,419	(18,394,111)	6,387,390
Total other comprehensive income/(loss) for the year	-	-	(102,947)	-	(102,947)
Shares/options issued	2,512,400	70,800	-	-	2,583,200
Share Issue Costs	(25,475)				(25,475)
Profit/(loss) attributable to members of parent entity	-	-	-	(1,178,651)	(1,178,651)
Balance as at 30 June 2012	24,613,601	2,351,206	271,472	(19,572,762)	7,663,517

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

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

		Consolidated	
	Notes	2012	2011
		\$	\$
Cash flow from operating activities			
Payments to suppliers		(797,645)	(677,045)
Sundry Income			35,178
		50,126	
Interest received		90,012	99,959
Net cash used in operating activities	18(a)	<u>(657,507)</u>	<u>(541,908)</u>
Cash flow from investing activities			
Exploration and evaluation expenditure		(1,096,916)	(488,366)
Purchase of property, plant and equipment		(43,862)	(94,843)
Purchase of shares		-	(86,667)
Net cash used in from investing activities		<u>(1,140,778)</u>	<u>(669,876)</u>
Cash flow from financing activities			
Proceeds from issue of shares		2,374,400	116,153
Share issue costs		(25,475)	15,000
Net cash provided by financing activities		<u>2,348,925</u>	<u>131,153</u>
Net increase (decrease) in cash and cash equivalents held		550,640	(1,080,631)
Cash and cash equivalents at the beginning of the financial year		1,659,752	2,737,856
Effect of exchange rates on cash holdings in foreign currencies		5,919	2,527
Cash and cash equivalents at the end of the financial year	7	<u>2,216,314</u>	<u>1,659,752</u>

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

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of Metals Australia Ltd and its subsidiaries Karrilea Holdings Pty Ltd and Metals Namibia (Pty) Ltd (the Group) for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 26 September 2012.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards and complies with other requirements of the law. 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) *Changes in accounting policies on initial application of Accounting Standards*

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2011:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*;
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group cash-settled Share-based Payment Transactions*;
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues*;
- AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*;
- AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19*; and
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*.

The adoption of these standards did not have any impact on the amounts for the current period or prior periods.

(d) New Accounting standards and interpretation

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

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

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

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
<p>AASB 9 Financial Instruments</p> <p>AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9</p>	<p>AASB 139 Financial Instruments: Recognition and Measurement (part)</p>	<p>AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. AASB 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in AASB 139 and removes the impairment requirement for financial assets held at fair value.</p> <p>In addition, the majority of requirements from AASB 139 for the classification and measurement of financial liabilities has been carried forward unchanged, except in relation to own credit risk where an entity takes the option to measure financial liabilities at fair value. AASB 9 requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income (OCI), unless there is an accounting mismatch in the profit or loss, in which case all gains or losses are to be presented in the profit or loss.</p> <p>The requirements from AASB 139 related to the derecognition of financial assets and liabilities have been incorporated unchanged into AASB 9.</p>	31 December 2013	<p>AASB 9 amends the classification and measurement of financial assets; the effect on the entity will be that more assets are held at fair value and the need for impairment testing has been limited to assets held at amortised cost only.</p> <p>Minimal changes have been made in relation to the classification and measurement of financial liabilities, except 'own credit risk' instruments. The effect on the entity will be that the volatility in the profit or loss will be moved to the OCI, unless there is an accounting mismatch.</p>	<p>AASB 2009-11</p> <p>AASB 2010-7</p>	<p>Depending on assets held, there may be significant movement of assets between fair value and cost categories and ceasing of impairment testing on available for sale assets.</p> <p>If the entity holds any 'own credit risk' financial liabilities, the fair value gain or loss will be incorporated in the OCI, rather than profit or loss, unless accounting mismatch.</p>
<p>AASB 124 Disclosures</p> <p>AASB 2009-12 Amendments to Australian Accounting Standards arising from AASB 124.</p>	<p>AASB 124 Related Party Disclosures</p>	<p>This revision amends the disclosure requirements for government related entities and the definition of a related party.</p>	31 December 2011	<p>Since the entity is not a government related entity; there is not expected to be any changes arising from this standard.</p>	AASB 2009-12	<p>Unlikely to have significant impact in Australia.</p>
<p>AASB 2010-4</p> <p>Further Amendments to Australian Accounting Standards arising from</p>	None	<p>Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>Clarifies that an entity will present an analysis of other</p>	31 December 2011	<p>Given the number of standards amended by AASB 2010-4, an example disclosure is not included.</p> <p>Entities assess the impact of each of the</p>	None	<p>Varies depending on relevance, however impact is unlikely to be significant.</p>

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

the Annual Improvement s Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]		comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken in account.		amendments on their organisation.		
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (AASB 1 & AASB 7)	None	The Standard amends the disclosures required, to help users of financial statements evaluate the risk exposures relating to more complex transfers of financial assets (eg. securitisations) and the effect of those risks on an entity's financial position.	30 June 2012	The Amendments will introduce more extensive and onerous quantitative and qualitative disclosure requirements for de-recognition of financial assets.	AASB 7	More extensive and onerous quantitative and qualitative disclosure requirements for de-recognition of financial assets.
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretation s 2, 5, 10, 12, 19 & 127]	None	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	31 December 2013	This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.	AASB 9 AASB 2009-11	Unlikely to have significant impact in Australia.
Consolidated Financial Statements	IAS 27	IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and SIC-12 <i>Consolidation – Special Purpose Entities</i> . The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of	31 December 2013	It introduces a new, principle-based definition of control which will apply to all investees to determine the scope of consolidation. Traditional control assessments based on majority ownership of voting rights will very rarely be affected. However, 'borderline' consolidation decisions will need to be reviewed and some will need to be changed taking into consideration potential	IFRS 11 IFRS 12 IAS 27 IAS 28 IAS 31	Entities most likely to be impacted are those that: - have significant, but not a majority equity interests in other entities; - hold potential voting rights over investments, such as options or convertible debt.

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

		potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.		voting rights and substantive rights.		
Disclosure of Interests in Other Entities	IAS 27 IAS 28 IAS 31	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	31 December 2013	IFRS 12 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. It aims to provide more transparency on 'borderline' consolidation decisions and enhance disclosures about unconsolidated structured entities in which an investor or sponsor has involvement.	None	There are some additional enhanced disclosures centred around significant judgements and assumptions made around determining control, joint control and significant influence.
Fair Value Measurement	None	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	31 December 2013	IFRS 13 has been created to: <ul style="list-style-type: none"> establish a single source of guidance for all fair value measurements; clarify the definition of fair value and related guidance; and enhance disclosures about fair value measurements (new disclosures increase transparency about fair value measurements, including the valuation techniques and inputs used to measure fair value). 	None	For financial assets, IFRS 13's guidance is broadly consistent with existing practice. It will however also apply to the measurement of fair value for non-financial assets and will make a significant change to existing guidance in the applicable standards.

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

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of Metals Australia Ltd and its subsidiaries, Karrilea Holdings Pty Ltd and Metals Namibia (Pty) Ltd ('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

NOTES TO THE FINANCIAL STATEMENTS

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.

(f) Interest in joint venture operation

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

(g) Foreign currency translation

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

Cash remittances from the parent entity to the Namibian subsidiary are either sent in Australian dollars or converted by the remitting bank into South African Rand (Rand) and then converted to Namibian dollars using the same rate of exchange. That is, once the A\$ is translated to Rand by the bank, which then converts it to the same balance in Namibian dollars. As such, foreign currency transactions are initially recorded in the functional currency at the date of the transaction using the Rand. Monetary assets and liabilities denominated in the foreign currencies are retranslated at the rate of exchange at the reporting date.

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

All differences in the consolidated financial report are taken to the Statement of Comprehensive Income.

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

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

As at the reporting date the assets and liabilities of any overseas subsidiaries would be translated into the presentation currency of Metals Australia Ltd at the rate of exchange ruling at the reporting date and the Statement of Comprehensive Income 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 Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

(h) Property, plant and equipment

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

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

Plant and equipment – over 3 to 5 years

Impairment

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

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

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

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

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

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

(i) Goodwill

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(j) Impairment of non-financial assets

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

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

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

(k) Investments and other financial assets

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

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

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS

(iv) Available-for-sale-investments

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

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

Fair value

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

Impairment

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

(I) Exploration and Evaluation Expenditure

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

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

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

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

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

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

(m) Trade and other receivables

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

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able

NOTES TO THE FINANCIAL STATEMENTS

to collect the debts. Bad debts are written off when identified.

(n) Cash and cash equivalents

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

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

(o) Provisions

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

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

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

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

(p) Share-based payment transactions

(i) Equity settled transactions:

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

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

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

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

(ii) Cash settled transactions:

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

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

(q) Revenue

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

NOTES TO THE FINANCIAL STATEMENTS

Sale of goods

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

Interest

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

Dividends

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

(r) Income tax

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

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

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

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

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

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

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

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

(s) Other taxes

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

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

NOTES TO THE FINANCIAL STATEMENTS

- receivables and payables are stated with the amount of GST included.

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

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

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

(t) Trade and other payables

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

(u) Contributed equity

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

(v) Earnings per share

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

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

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

(w) Comparatives

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

(i) Significant accounting judgments include:

(a) Classification of and value of investments

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

NOTES TO THE FINANCIAL STATEMENTS

- (b) Provision in and loans to subsidiaries
Investments in and loans to subsidiaries are fully provided for until such time as subsidiaries are in a position to repay loans.

- (c) Exploration expenditure
The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$5,163,431.

(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.

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

4. Income Tax

Consolidated
2012 2011
\$ \$

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax on profit/(loss) from ordinary activities before income tax at 30% (2011: 30%) follows:

Consolidated	(368,633)	224,333
Add:		
Tax effect of:		
Other non-allowable items	131,379	14,730
Other assessable items	-	(246,160)
Provisions	-	-
Deferred tax asset not brought to account	-	-
Recoupment of prior years losses not previously brought to account	244,221	(7,177)
Less:		
Tax effect of:		
Research and development tax offset	(50,126)	-
Effect of overseas tax rate	(6,967)	14,274
Income tax attributable to entity	(50,126)	-
Unrecognised Deferred Tax Assets		
- Tax losses: operating losses	3,194,754	2,910,153
- Temporary differences	4,500	3,150
	3,199,254	2,913,303
Unrecognised Deferred Tax Liabilities	(906,447)	(818,093)

The benefits will only be obtained if: -

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

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

5. Auditor's Remuneration

	2012 \$	2011 \$
Remuneration of the auditor of the parent entity, Grant Thornton (WA) Partnership		
- auditing or reviewing the financial report	22,661	21,959
- taxation services provided by a related practice of the auditor	12,000	5,200
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial reports of subsidiaries	9,025	11,070
	43,686	38,229

6. Interests of Key Management Personnel (KMP)

Refer to the Remuneration Report contained in the Directors' Report for Details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2012.

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

	2012 \$	2011 \$
Short-term employee benefits	205,270	120,295
Superannuation	21,323	18,404
Share-based payments	70,800	-
	297,393	138,699

KMP Options and Rights Holdings

The number of options over ordinary shares held by each KMP during the financial year is as follows:

30 June 2012	Balance 1 July 2011	Granted as Compensation	Options Exercised	Options Expired	Other changes during the year	Balance 30 June 2012
H S Majteles	-	-	-	-	-	-
A Clemen	-	-	-	-	-	-
D Zukerman	-	-	-	-	-	-
N Grafton	350,000	-	-	-	(125,000)	225,000
K Munro	-	5,000,000	-	-	-	5,000,000
Total	350,000	5,000,000	-	-	(125,000)	5,225,000
30 June 2011	Balance 1 July 2010	Granted as Compensation	Options Exercised	Options Expired	Other changes during the year	Balance 30 June 2011
H S Majteles	1,400,000	-	-	(1,400,000)	-	-
A Clemen	1,400,000	-	-	(1,400,000)	-	-
D Zukerman	1,400,000	-	-	(1,400,000)	-	-
N Grafton	1,400,000	-	-	(1,400,000)	350,000	350,000
Total	5,600,000	-	-	(5,600,000)	350,000	350,000

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

KMP Shareholdings

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

30 June 2012	Balance 1 July 2011	Granted as Compensation	Issued on exercise of options during the year	Other changes during the year	Balance 30 June 2012
H S Majteles	2,950,000	-	-	-	2,950,000
A Clemen	450,010	-	-	-	450,010
D Zukerman	-	-	-	-	-
N Grafton	350,000	-	-	-	350,000
K Munro	-	-	-	-	-
Total	3,750,010	-	-		3,750,010

30 June 2011	Balance 1 July 2010	Granted as Compensation	Issued on exercise of options during the year	Other changes during the year	Balance 30 June 2011
H S Majteles	2,950,000	-	-	-	2,950,000
A Clemen	450,010	-	-	-	450,010
D Zukerman	-	-	-	-	-
N Grafton	-	-	-	350,000	350,000
Total	3,400,010	-	-	350,000	3,750,010

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

Directors' fees are paid on a quarterly basis. Consulting fees for professional services are paid as events occur.

7. Cash and Cash Equivalents

	Consolidated	
	2012	2011
	\$	\$
Represented by		
Cash at bank	66,314	159,752
Bank term deposits	2,150,000	1,500,000
	<u>2,216,314</u>	<u>1,659,752</u>

8. Trade and Other Receivables

Current		
Other debtors	<u>75,560</u>	<u>57,740</u>

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

9. Plant and Equipment

	Consolidated	
	2012	2011
	\$	\$
Plant and equipment, at cost	194,169	180,692
Less: accumulated depreciation	(144,663)	(125,231)
	<u>49,506</u>	<u>55,461</u>
<i>Movement:</i>		
Opening written down value	55,461	29,467
Additions	43,862	92,097
Disposals	-	(37,847)
Depreciation	(49,817)	(28,256)
Closing written down value	<u>49,506</u>	<u>55,461</u>

10. Other financial assets

Financial assets at fair value through profit or loss	<u>288,379</u>	<u>548,076</u>
---	----------------	----------------

11. Exploration and Evaluation Expenditure

Opening balance	4,197,560	2,504,909
Reversal/(Provision) for impairment	-	1,265,080
Expenditure for the year	984,518	441,297
Impairment of exploration expenditure	(18,647)	(13,726)
	<u>5,163,431</u>	<u>4,197,560</u>

The company regained title to its Namibian tenements in 2011, and reversed the provision for impairment. 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.

12. Trade and other Payables

Current Payables	<u>129,673</u>	<u>131,199</u>
------------------	----------------	----------------

13. Issued Capital

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

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

The following movement in ordinary share capital of the Company occurred during the last two years.

Date	Details	Number of Shares	Issue Price (cents)	Amount \$
1 July 2010	Balance	669,608,765		22,010,523
15 September 2010	Shares issued	13,665,000	0.85	116,153
30 June 2011	Balance	683,273,765		22,126,676
5 January 2012	Shares issued	5,000,000	2.3	115,000
20 January 2012	Shares issued	29,763,157	1.9	565,500
29 February 2012	Shares issued	19,905,405	3.7	736,500
22 March 2012	Shares issued	1,000,000	2.3	23,000
22 March 2012	Shares issued	28,983,783	3.7	1,072,400
29 March 2012	Capital Raising Costs	-	-	(25,475)
30 June 2012	Balance	767,926,110		24,613,601

14. Share Option Reserve

Date	Details	Number of Options	Unit Price (cents)	Amount \$
1 July 2010	Balance	28,400,000		2,265,406
15 September 2010	Options granted	150,000,000	0.01	15,000
15 September 2010	Options granted	13,665,000	-	-
31 December 2010	Options expired	(28,400,000)		-
30 June 2011	Balance	163,665,000		2,280,406
20 January 2012	Options granted	14,881,579	-	-
29 February 2012	Options granted	19,905,405	-	-
22 March 2012	Options granted	28,983,783	-	-
22 March 2012	Options granted	6,000,000	-	70,800
30 June 2012	Balance	233,435,767		2,351,206

There were three classes of options at year end:

- (i) 163,665,000 options (MLSOA) expiring on 30 September 2013 with an exercise price of 2 cents per option. These options were previously unlisted, but have been tradeable since 26 March 2012.
- (ii) 63,770,767 unlisted options (MLSAI) expiring on 1 December 2013 with an exercise price of 5 cents per option.
- (iii) 6,000,000 unlisted options (MLSAM) expiring on 14 November 2013 with an exercise price of 4 cents per option.

The weighted average remaining contractual life of options outstanding at year end was 1.30 years.

NOTES TO THE FINANCIAL STATEMENTS

Capital Management

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

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

15. Accumulated Losses

	Consolidated	
	2012	2011
	\$	\$
Accumulated losses at the beginning of the year	(18,394,111)	(19,141,889)
Profit/(loss) for year	(1,178,651)	747,778
Accumulated losses at the end of the financial year	<u>(19,572,762)</u>	<u>(18,394,111)</u>

16. Minority Interest

Comprises:

Share capital	2	2
Accumulated losses	<u>(2)</u>	<u>(2)</u>
	<u>-</u>	<u>-</u>

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

17. Earnings per Share

	2012	2011
	Number	Number
Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share	<u>713,214,938</u>	<u>680,428,450</u>
Basic and diluted profit/(loss) per share – cents	<u>(0.17)</u>	<u>0.11</u>

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

18(a). Cashflow Information

Reconciliation to Statement of Cash Flows

	Consolidated	
	2012	2011
	\$	\$
Operating profit/(loss) after income tax	(1,178,651)	747,778
Non-cash items in profit/(loss)		
Share based payments expense	138,000	
Write back of exploration expenditure	22,178	(1,265,080)
Impairment of Exploration and evaluation expenditure	-	13,726
Revaluation of shares	259,696	(86,325)
Option expensed	70,800	-
Depreciation	49,817	28,256
Loss on disposal of property, plant and equipment	-	40,592
Changes in assets and liabilities		
Decrease/(increase) in trade and other receivables	(17,820)	(22,435)
Increase/(decrease) in trade and other payables	(1,527)	1,580
Net cash flows (used in) operating activities	<u>(657,507)</u>	<u>(541,908)</u>

18(b). Non cash share based payments

The following non-cash share based payments were made during the year under review:

- (i) 5,000,000 shares were issued to the Company's barrister in relation to the Namibian court proceedings relating to the successful outcome of the proceedings,
- (ii) 1,000,000 shares and 1,000,000 options (exercisable at 4 cents at any time up to 14 November 2013) were issued to a Namibian employee as an incentive, and
- (iii) 5,000,000 options (exercisable at 4 cents at any time up to 14 November 2013) were issued to the Company's Exploration Manager as an incentive.

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

19. Financial Instruments

(a) Interest Rate Risk

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

	Floating Interest Rate		Non-Interest Bearing		Total	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
	0.00% - 6.11%	0.00% - 6.11%				
Financial Assets						
Cash and cash equivalents	2,216,314	1,659,752	-	-	2,216,314	1,659,752
Loans and Receivables	-	-	75,560	57,740	75,560	57,740
Held for trading investments	-	-	288,379	548,076	288,379	548,076
Total Financial Assets	2,216,314	1,659,752	363,939	605,816	2,580,253	2,265,568
Financial Liabilities (at amortised cost)						
Trade and other payables	-	-	(129,673)	(131,199)	(129,673)	(131,199)
Net Financial Assets	2,216,314	1,659,752	234,266	474,617	2,450,580	2,134,369

Reconciliation of Financial Assets to Net Assets

	Consolidated	
	2012	2011
	\$	\$
Net financial assets	2,450,580	2,134,369
Exploration and evaluation expenditure	5,163,431	4,197,560
Plant & equipment	49,506	55,461
	7,663,517	6,387,390

(b) Credit Risk

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

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

(c) Net Fair Values

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

NOTES TO THE FINANCIAL STATEMENTS

in bank bills. The Directors analyse interest rate exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The main risks the Group is exposed to through its financial instruments are the depository banking institution itself, holding the funds, and interest rates. The Group's credit risk is minimal, as being an exploration company, no goods are sold, or services provided, for which consideration is claimed.

(e) Liquidity Risk

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

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

(f) Sensitivity Analysis

Interest Rate Risk, Foreign Currency Risk and Price Risk

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

Interest Rate Sensitivity Analysis

At 30 June 2012, 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	
	2012	2011
	\$000	\$000
Change in profit/(loss)		
- Increase in interest rate by 2%	38	55
- Decrease in interest rate by 2%	(38)	(55)
Change in equity		
- Increase in interest rate by 2%	38	55
- Decrease in interest rate by 2%	(38)	(55)

Foreign Currency Risk Sensitivity Analysis

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

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

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

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

Consolidated Group	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
<i>Financial Liabilities - Due for Payment</i>								
Trade and other payables	129,673	131,199	-	-	-	-	129,673	131,199
Total expected outflows	129,673	131,199	-	-	-	-	129,673	131,199
<i>Financial Assets - Cash Flows Realisable</i>								
Cash and cash equivalents	66,314	159,752	-	-	-	-	66,314	159,752
Bank deposits over 3 months	2,150,000	1,500,000	-	-	-	-	2,150,000	1,500,000
Receivables	75,560	57,740	-	-	-	-	75,560	57,740
Held-for-trading investments	-	-	288,379	548,076	-	-	288,379	548,076
Total anticipated inflows	2,291,874	1,717,492	288,379	548,076	-	-	2,580,253	2,265,568
Net (outflow)/inflow on financial instruments	2,162,201	1,586,293	288,379	548,076	-	-	2,450,580	2,134,369

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

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

Financial Instruments Measured at Fair Value

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

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

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Consolidated Group				
2012				
Financial assets				
Financial assets at fair value through profit or loss:-				
Investments: held for trading	288	-	-	288
	288	-	-	288
2011				
Financial assets				
Financial assets at fair value through profit or loss:-				
Investments: held for trading	548	-	-	548
	548	-	-	548

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

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

20. Investment in controlled entities

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding (%)		Book Value of Investment		Contribution to Consolidated Result	
			2012 %	2011 %	2012 \$	2011 \$	2012 \$	2011 \$
Karrilea Holdings Pty Ltd	Australia	Ordinary	80	80	-	-	-	-
Metals Namibia (Pty) Ltd	Namibia	Ordinary	100	100	-	-	(174,178)	356,833

21. Related Parties

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

			Year ended 30 June 2012		Year ended 30 June 2011	
Related Party	Relationship	Nature Of Transaction	Transaction	Balance	Transaction	Balance
Karrilea Holdings Pty Ltd	Subsidiary	Exploration assets	229,044	3,185,488	103,444	2,956,444
Metals Namibia (Pty) Ltd	Subsidiary	Exploration assets	510,492	1,858,905	400,756	1,551,612
Karrilea Holdings Pty Ltd	Subsidiary	Provisions	(229,044)	(3,185,488)	(103,444)	(2,956,444)
Metals Namibia (Pty) Ltd	Subsidiary	Provisions	(510,492)	(1,858,905)	(400,756)	(1,551,612)
Sabre Resources Limited	Common directorship	Employee Costs	66,998	(10,023)	(39,067)	(6,618)
Golden Deeps Limited	Common directorship	Employee Costs	59,010	(2,468)	(19,658)	(1,866)

All transactions with Directors are disclosed in Note 6.

22. Operating Segments

Segment Information

Identification of reportable segments

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

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

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

Segments

The three reportable segments are as follows:

- (i) Western Australian Base Metal Projects;
- (ii) Victorian Gold Projects; and
- (iii) Namibian Uranium Projects.

Basis of Accounting for purposes of reporting by operating segments

Accounting Policies Adopted

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

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

Unallocated items

Corporate costs are not considered core operations of any segment.

Comparative information

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

Segment Performance

<u>2012</u>	<u>Western Australian Base Metals</u> \$	<u>Victorian Gold</u> \$	<u>Namibian Uranium</u> \$	<u>Total</u> \$
<u>Revenue from external sources</u>				
Unallocated - Interest revenue				87,835
Unallocated - Gain/(loss) on investments				(259,696)
Total Group Revenue				(171,861)
<u>Segment Profit/(loss)</u>	-	-	(174,178)	(174,178)
Unallocated items - corporate charges				(1,004,473)
Total Group profit/(loss)				(1,178,651)
<u>Segment Assets</u>	2,805,903	180,101	2,465,806	5,451,810
Unallocated - cash, receivables, plant & equipment				2,341,380
Total Group Assets				7,793,190
<u>Segment Liabilities</u>				
Unallocated - corporate trade payables	123,557	-	6,116	129,673
Total Group Liabilities				129,673

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

<u>2011</u>	<u>Western Australian Base Metals</u>	<u>Victorian Gold</u>	<u>Namibian Uranium</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>Revenue from external sources</u>				125,878
Unallocated - Interest revenue				86,325
Unallocated - Gain/(loss) on investments				35,178
Other income				(40,592)
Loss on sale of assets			1,265,080	1,265,080
Exploration expense written back				1,471,869
Total Group Revenue				(705,268)
				(1,430,631)
<u>Segment Profit/(loss)</u>				
Unallocated items - corporate charges	-	-	356,833	356,833
Total Group profit/(loss)				(1,104,611)
				(747,778)
<u>Segment Assets</u>	2,576,860	51,804	1,568,896	4,197,560
Unallocated - cash, receivables, plant & equipment				2,300,952
Total Group Assets				6,498,512
				129,619
<u>Segment Liabilities</u>				
Unallocated - corporate trade payables				131,199
Total Group Liabilities				131,199

23. Commitments

(i) Mining Tenements

As part of ongoing activities, the consolidated entity is required to commit to minimum expenditures to retain its interest in its mining tenements. Over the next five years this amounts to \$1,080,500, as follows:

<u>Year Ending 30 June</u>	<u>Amount \$</u>
2013	261,400
2014	298,100
2015	208,000
2016	158,000
2017	158,000
	<u>1,083,500</u>

(ii) Management Agreement

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

24. Contingent Liabilities

No contingent liability exists for termination benefits under service agreements with directors or persons who take part in the management of the company. There were no contingent liabilities as at 30 June 2012.

25. Parent Entity Information

The following details information related to the parent entity, Metals Australia Ltd, at 30 June 2012. The information presented here has been prepared using consistent accounting policies as shown in Note 2.

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

	Parent Entity	
	2012	2011
	\$	\$
ASSETS		
Current assets	2,258,754	1,681,039
Non-current assets	1,751,100	1,502,653
TOTAL ASSETS	4,009,854	3,183,692
LIABILITIES		
Current liabilities	(123,557)	(111,996)
Non-current liabilities	-	-
TOTAL LIABILITIES	(123,577)	(111,996)
EQUITY		
Issued capital	24,613,601	22,126,676
Accumulated losses	(23,078,510)	(21,335,385)
TOTAL EQUITY	1,535,091	791,291
RESERVES		
Share option reserve	2,351,206	2,280,405
TOTAL RESERVES	2,351,206	2,280,405
FINANCIAL PERFORMANCE		
(Loss) for the year	(1,743,689)	(113,255)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE (LOSS)	(1,743,689)	(113,255)

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

No contingent liabilities exist.

No contractual commitments by the parent company exist, other than those for exploration commitments as set out below.

Year Ending 30 June	Amount \$
2013	261,400
2014	298,100
2015	208,000
2016	158,000
2017	158,000
	1,083,500

METALS AUSTRALIA LTD

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Metals Australia Ltd (the "Company"):

- (a) the financial statements and notes set out on pages 17 to 46, and the Remuneration disclosures that are contained in pages 13 to 14 of the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (iii) complying with International Financial Reporting Standards as disclosed in Note 2.
- (b) the remuneration disclosures that are contained in page 13 to 14 of the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2012.

Signed in accordance with a resolution of the Directors:



D Zukerman
DIRECTOR

Dated this twenty sixth day of September 2012
Perth, Western Australia

Grant Thornton (WA) Partnership
ABN 17 735 344 518

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

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

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

Report on the financial report

We have audited the accompanying financial report of Metals Australia Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, 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 which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

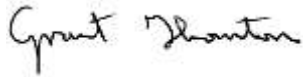
- a the financial report of Metals Australia Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 13 to 14 of the directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Metals Australia Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants



P W Warr
Partner

Perth, 26 September 2012

Grant Thornton (WA) Partnership
ABN 17 735 344 518

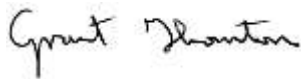
10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

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

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Metals Australia Limited for the year ended 30 June 2012, 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
Chartered Accountants



P W Warr
Partner

Perth, 26 September 2012

CORPORATE GOVERNANCE STATEMENT

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

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

Principle 1 – Lay solid foundations for management and oversight

Responsibilities of the Board

The Board is responsible for the following matters:

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

Diversity

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

Currently, however, due to the size and scale of the Company's activities, all managerial and geological services are provided by the Corporate Manager and the Company has no direct employees.

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

METALS AUSTRALIA LTD
CORPORATE GOVERNANCE

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

Chairman

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

Corporate Manager

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

Company Secretary

The Company Secretary is responsible for monitoring the extent that Board policy and procedures are followed, and coordinating the timely completion and despatch of Board agendas and briefing material. All directors are to have access to the Company Secretary.

Performance Evaluation

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

Principle 2 - Structure the Board to add value

Composition of the Board

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

Independent Directors

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

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

METALS AUSTRALIA LTD
CORPORATE GOVERNANCE

Chairman

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

Independent decision- making

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

Independent advice

To facilitate independent decision making, the Board and any committees it convenes from time to time may seek advice from independent experts whenever it is considered appropriate. With the consent of the Chairman, individual directors may seek independent professional advice, at the expense of the Company, on any matter connected with the discharge of their responsibilities.

Procedure for selection of new directors

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

In support of their candidature for directorship or re-election, non-executive directors should provide the Board with details of other commitments and an indication of time available for the Company. Prior to appointment or being submitted for re-election non-executive directors should specifically acknowledge to the Company that they will have sufficient time to meet what is expected of them. Re-appointment of directors is not automatic.

Induction and education

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

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

METALS AUSTRALIA LTD
CORPORATE GOVERNANCE

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

Access to information

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

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

Principle 3: Promote ethical and responsible decision-making

Code of conduct

The Board has adopted the Code of Conduct set out at Appendix A to promote ethical and responsible decision making by directors, management and employees. The Code embraces the values of honesty, integrity, enterprise, excellence, accountability, justice, independence and equality of stakeholder opportunity.

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

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

Policy for trading in Company securities

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

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

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Management

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

METALS AUSTRALIA LTD
CORPORATE GOVERNANCE

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

Principle 5: Make timely and balanced disclosure

Disclosure Policy

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

The Disclosure Policy ensures that:

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

Principle 6: Respect the rights of shareholders

Communication with Shareholders

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

METALS AUSTRALIA LTD
CORPORATE GOVERNANCE

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

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

General Meetings

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

Principle 7: Recognise and manage risk

Creation and implementation of Company risk management policies

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

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

Audit and Risk Management

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

Review by the Board

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

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

Corporate Manager

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

METALS AUSTRALIA LTD
CORPORATE GOVERNANCE

Verification of financial reports

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

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

Principle 8: Remunerate fairly and responsibly

Director and senior executive remuneration policies

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

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

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

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

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

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

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

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

No director may be involved in setting their own remuneration or terms and conditions and in such a case relevant directors are required to be absent from the full Board discussion.

METALS AUSTRALIA LTD
CORPORATE GOVERNANCE

Remuneration Committee

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

Appendix A – Code of Conduct

Introduction

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

Responsibility to shareholders

The Company aims:

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

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

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

Employment practices

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

Responsibility to the community

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

Responsibility to the individual

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

Obligations relative to fair trading and dealing

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

Business courtesies, bribes, facilitation payments, inducements and commissions

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

Conflicts of interest

The Board, management and employees must report any situations where there is a real or apparent conflict of interest between them as individuals and the interests of the Company.

METALS AUSTRALIA LTD
CORPORATE GOVERNANCE

Where a real or apparent conflict of interest arises, the matter must be brought to the attention of the Chairman in the case of a Board member, the Corporate Manager in the case of a member of management and a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner.

Compliance with the Code of Conduct

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

Periodic review of Code

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

Appendix B – Policy for trading in Company securities

Introduction

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

Communication

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

Trading restrictions

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

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

Hardship

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

Directors' trading and disclosures

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

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

Appendix C - Disclosure Policy

Disclosure requirements

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

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

Responsibilities of directors officers and employees

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

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

Authorised Disclosure Officer

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

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

Responsibilities of Authorised Disclosure Officer

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

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

METALS AUSTRALIA LTD
CORPORATE GOVERNANCE

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

Measures to avoid a false market

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

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

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

ASX announcements

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

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

Confidentiality and unauthorised disclosure

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

External communications and media relations

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

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

Breach of Disclosure Policy

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

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

METALS AUSTRALIA LTD

SHAREHOLDER INFORMATION

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

1. SHAREHOLDERS

(a) As at 17 September 2012 the distribution of members and their shareholdings were:-

Range of Holding		Holders	Shares Held	Percent
1	1,000	99	59,406	0.01
1,001	5,000	283	969,497	0.12
5,001	10,000	391	3,363,241	0.44
10,001	100,000	1,517	67,787,441	8.83
100,001	and over	777	695,497,937	90.60
		3,067	767,677,522	100.00

(b) There exist 1,349 shareholders with unmarketable parcels of shares.

(c) The twenty largest shareholders as at 17 September 2012 which represents 42.82% of the paid up capital were as follows:

Name of Holder	Number	%
JP Morgan Nominees Australia Ltd	101,776,408	13.25
Pan Pacific Mining Pty Ltd	35,000,000	4.56
Citicorp Nominees Pty Ltd	30,272,228	3.94
Temmedo Pty Ltd	25,820,000	3.36
Doyle Family Superannuation Fund	22,036,406	2.87
I-CAN Limited	17,000,000	2.21
Pio Services Limited	15,057,000	1.96
L C Asia Limited	12,720,000	1.66
Philip Hamlyn	10,000,000	1.30
Bassam Haddad	8,000,000	1.04
HSBC Custody Nominees (Australia) Pty Ltd	6,984,683	0.91
W D & M N Christman	6,900,000	0.90
Paul Arsenis	6,750,000	0.88
Evangelos Kalafatas	5,184,186	0.68
Zuvela Super Fund	5,000,000	0.65
Salvatore Danze	5,000,000	0.65
Barry Sirgunas	4,100,000	0.53
Simon Jones	4,054,054	0.53
Alban R Hasslinger	3,645,000	0.48
Trayburn Pty Ltd	3,500,000	0.46
	328,799,965	42.82

(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	4.75%

METALS AUSTRALIA LTD
SHAREHOLDER INFORMATION

2. OPTIONHOLDERS

The twenty largest holders of listed options as at 17 September 2012 were as follows:

Name of Holder	Number	%
Colbern Fiduciary Nominees Pty Ltd	148,350,000	90.64
Bluebase Pty Ltd	4,957,500	3.03
Kalgoorlie Mine Management <Kalgoorlie Mime Management Superannuation Fund>	4,297,500	2.63
Brendon Deshon	2,000,000	1.22
Bruce Stewart	890,000	0.54
Bennett & Bennett Pty Ltd	850,000	0.52
JP Morgan Nominees Australia Ltd	500,000	0.31
Matthew Painter & Julie Jones	350,000	0.21
Sharin Grafton	225,000	0.14
Gillian Arkwright	200,000	0.12
Jadel Pty Ltd	100,000	0.06
Coniston Pty Ltd	100,000	0.06
Dagana Pty Ltd	80,000	0.05
Caconda Pty Ltd	75,000	0.05
Kalgoorlie Mine Management Pty Ltd	75,000	0.05
James del Piano	60,000	0.04
HSBC Custody Nominees Pty Ltd	50,000	0.03
Pan Pacific Mining Pty Ltd	35,000	0.02
Silverglade Nominees Pty Ltd	30,000	0.02
Cambrian Investments Pty Ltd	30,000	0.02
	163,255,000	99.76