

MLS

METALS AUSTRALIA LTD

ABN: 38 008 982 474

ANNUAL REPORT

2013

METALS AUSTRALIA LTD

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METALS AUSTRALIA LTD

CORPORATE DIRECTORY

DIRECTORS

Hersh Solomon Majteles (Chairman)
Michael Scivolo
David Zukerman

COMPANY SECRETARY

Norman Grafton

REGISTERED OFFICE

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West Perth WA 6005

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AUDITORS

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

BANKERS

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

SHARE REGISTRY

Advanced Share Registry Limited
109 St Georges Terrace
Perth WA 6000

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SECURITIES EXCHANGE LISTING

The Company is listed on the Australian
Securities Exchange

Home Exchange: Perth, Western Australia

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

URANIUM PROJECTS, NAMIBIA

During the year, Metals Australia Ltd (“Metals” - ASX: MLS) continued exploration for uranium mineralisation at its Mile 72 (EPL 3308) Project in Namibia, southern Africa (Figure 1).

Previous exploration by the Company yielded positive exploration results. Follow-up exploration took place in December 2012. A high- resolution airborne geophysical survey was undertaken that allowed a new highly detailed interpretation of the geology to be generated.

The combined work to date has highlighted the potential of the project to host high-tonnage moderate grade primary uranium deposits of a similar style to the Rössing and Husab mines to the south. The Company selected a set of high priority targets during the year and commenced an RC drilling program in September.

LICENCE RENEWALS

The Company has submitted applications for, and is expecting to receive, extensions to its Mile 72 (EPL 3308) and Engo Valley (EPL 3306) licences. Applications were lodged with the Ministry of Mines and Energy in March 2013 to extend both licences for a further two years.

THE MILE 72 URANIUM PROJECT

High-Resolution Geophysics completed

The Mile 72 Uranium Project is an exploration project on the coast of Namibia, north of the city of Swakopmund (Figure 1). Some of the world's highest uranium grades were recorded in outcrops and in shallow pits within the project licence area. This high grade surface enrichment, combined with new detailed geophysical data and interpretations, have encouraged Metals to enter a new phase of exploration at Mile 72, targeting a large primary uranium deposit of a similar style to the Rössing and Husab mines to the south.

During the year, the Company completed a high-resolution airborne magnetic survey at the project. The survey was conducted at 50 metre line spacing and flown at an altitude of 30 metres, covering 3,655.5 line kilometres.

The survey has provided the Company with excellent high-resolution magnetic and radiometric imagery of the subsurface geology at Mile 72. This information has been used to plan a deeper drilling program to test for primary Rössing-style uranium mineralisation.

New Data Strongly Supports Previous Work

The geophysical survey has provided the Company with highly detailed supporting data to complement the existing geochemical, radiometric (radon cup), trenching and shallow drilling sampling data already obtained along the Kudu-Impala Zone at the Mile 72 Project.

The Company has previously reported surface sampling results from the Kudu-Impala area with grades as high as 13,912 ppm U_3O_8 . Sample Intervals of close to 300 m in length, recorded average assays in excess of 900 ppm U_3O_8 .

A shallow drilling program conducted in March 2012 targeted near-surface calcrete-hosted deposits at Mile 72. A primary objective of the 2012 drilling was to determine whether the uranium was introduced to the Kudu-Impala area through ancient drainage channels or from a deeper source on the licence area. Whilst calcrete-hosted deposits were not identified, assay results were encouraging. Bottom-of-hole sampling identified anomalous uranium mineralisation up to 324ppm. The drilling, while shallow, provided the Company with the supporting information to continue exploration targeting primary Rössing-Style uranium mineralisation.

During December 2012, a high-resolution airborne magnetic survey was completed over the project area. The new geophysical data provides strong additional support for a primary Rössing style of mineralisation. The airborne radiometric signature (uranium only signal, Figure 2) and the high-resolution magnetic signature (magnetic lows corresponding to potential alaskite units, Figure 3), show direct spatial correlation with the known high-grade mineralised zones at Mile 72 in areas of outcropping or subcropping schists, granites and alaskites. Some of these zones are evident even in areas of thin basaltic cover.

Uranium mineralisation on surface at Mile 72 occurs as secondary carnotite within gypcrete.

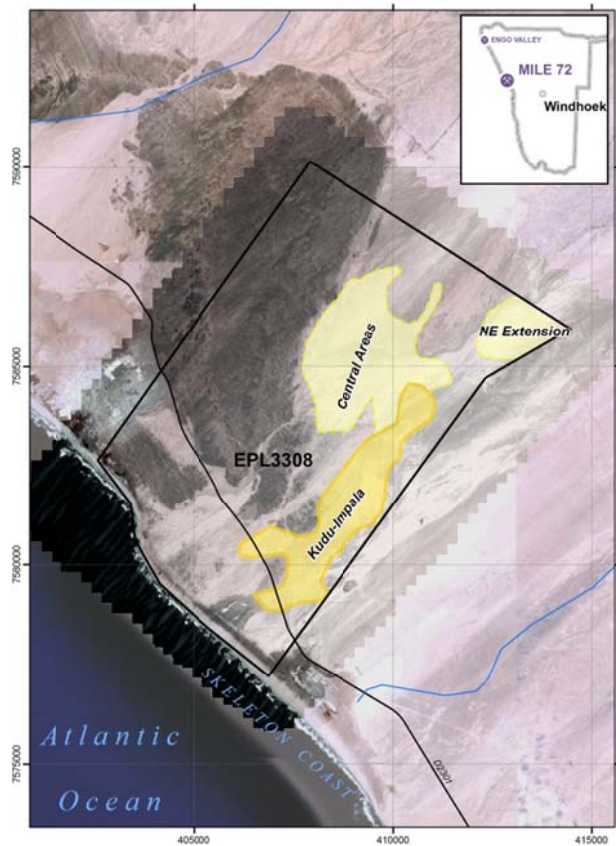


Figure 1 – The Mile 72 project area (EPL3308).

Exploration insights to-date support further drilling

- The area has an equivalent propensity to generate alaskites (the hosts to uranium mineralisation) as the “Alaskite Alley” area that contains Rössing and Husab (Figure 4).
- The updated interpretation of the geology based on the recently acquired high-resolution geophysical data confirms that a large area of the licence is underlain by the target sequence of Damaran schists, granites and alaskites.
- Extensive areas of low magnetic response have been identified throughout the licence. There is a well-known correlation between magnetic lows and the presence of alaskite units elsewhere in the Damaran sequence and the “Alaskite Alley” of western Namibia. Alaskites have been identified in outcrop and trenching at Mile 72, and interpreted in the subsurface from the magnetic lows (Figure 3). These areas show a direct correlation with areas of surface uranium mineralisation.
- It is clear that uranium concentrated at surface at Kudu-Impala must be sourced from the basement sequence within the licence area, and has not been transported in from outside the licence area. This is illustrated by the uranium radiometrics (Figure 2) which clearly show U highs (seen as yellow-red shades) associated with basement outcrops, cross-cut by drainage channels with a very low signature (seen as green-blue shades).
- Surface anomalism of uranium is controlled by numerous features, and is influenced by the distribution of late-stage dykes at Mile 72. Through various processes, these dykes have the effect of potentially shifting the anomaly relative to the location of the original uranium source. Each anomaly is being assessed for the likelihood and degree of offset.

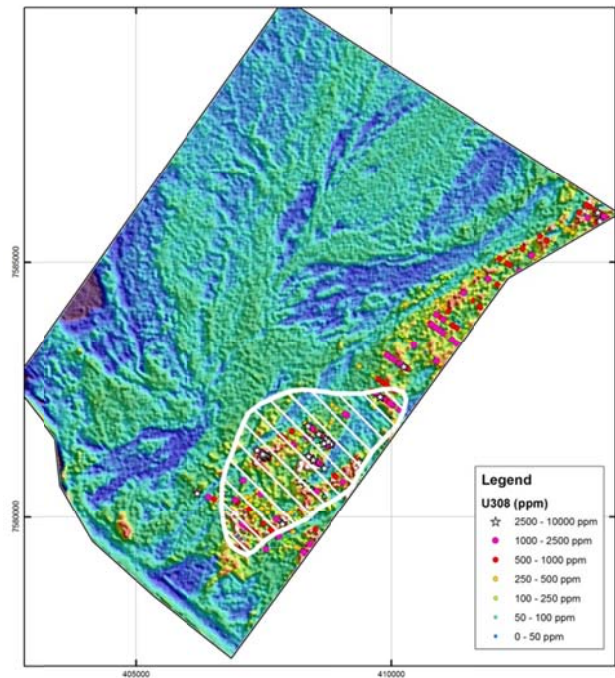


Figure 2 – Several target areas have been defined in a broad zone in the south of the licence (white, cross-hatched). The targets are defined on numerous criteria, including geology, and magnetic and radiometric response. Shown on the licence area are surface geochemical results and high-resolution radiometrics.

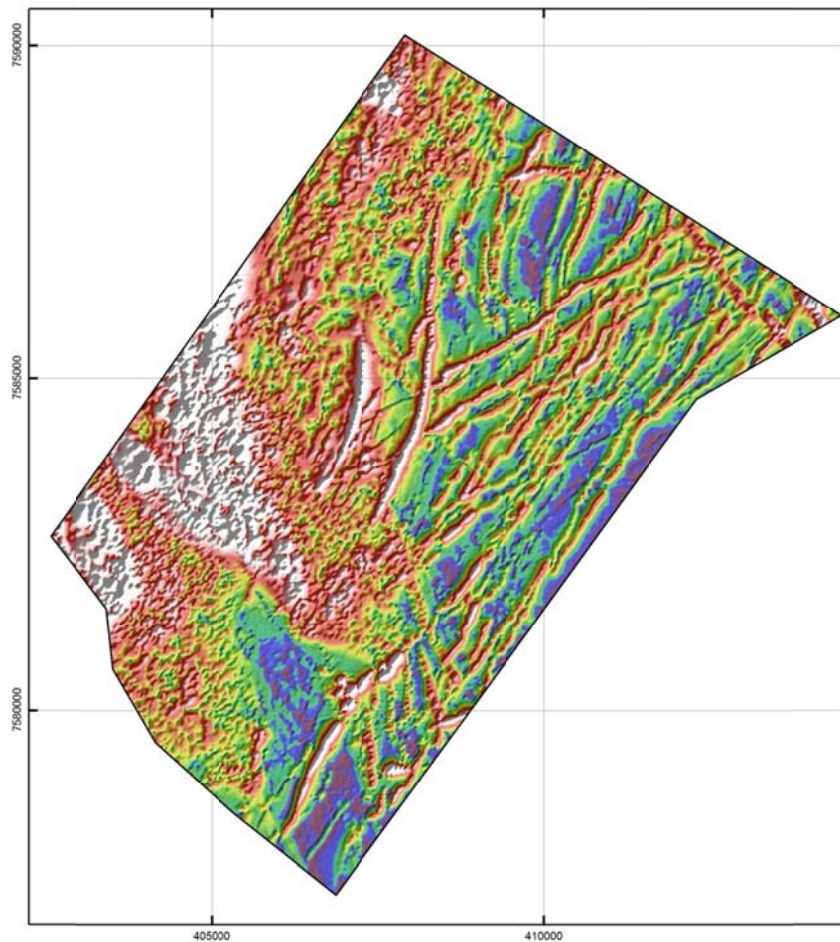


Figure 3 – Aeromagnetics image (analytical signal) showing the high level of detail provided by the new geophysical data. This and many other manipulations of the geophysical data have been used to determine the distributions of various magnetic units.

Forthcoming exploration activity

The Company has developed a series of immediate targets from the interpretation of new data collected during the year. These consist of areas where deeper drilling can test the Damaran schist-granite-alaskite sequence where this correlates with the best surface and radiometric results.

The Company is currently conducting a 4,000m RC drill program in which forty drill holes are planned to test up to a depth of approximately 85m below the surface.

The program is designed to locate deep-seated Rössing-style alaskite-hosted uranium mineralisation in the southern part of the Mile 72 licence area. Success will be measured on the basis of extended intercepts of significant uranium mineralisation, which in this context would be **several metres in excess of 150ppm U_3O_8** .

On the successful completion of this program, a series of follow-up programs will be required to infill and expand upon any intercepts encountered.

Exploration Licence and Environmental Permit

In accordance with Namibian law, the Company has submitted the required documentation to the Namibian Ministry of Mines and Energy for the renewal of the Mile 72 licence, EPL3308.

The Ministry has acknowledged the Company's early submission of the application for renewal and will advise further in due course.

In the Company's view, Metals Australia has met or exceeded all requirements for ongoing exploration of the licence area, and foresees no impediments to the renewal of the exploration licence.

In August 2013, the company received a renewal of the environmental permit it required before drilling could commence. The permit is valid for a period of three years.



Figure 4 – Areas exhibiting prime geological conditions for the genesis of alaskites. Mile 72 had the same conditions as those experienced at Husab, Rossing and Valencia. (Red = peak conditions ideal for genesis of alaskite. Pink = peak conditions exceeded required conditions but area still hosts potential for alaskites.)

ENGO VALLEY URANIUM PROJECT

The Engo Valley Project (Figure 5) comprises a series of uranium anomalies exposed in and adjacent to Karoo sedimentary rocks.

The project is located around 600 km north of Swakopmund, on the Skeleton Coast of northern Namibia. The licence falls in the Skeleton Coast National Park. In July 2012, Metals received an Environmental Clearance and Access Permit allowing exploration to proceed in the area.

An extension application was lodged prior to the expiry of the licence in June 2013. The delay in granting of the environmental permit was the reason for the limited work carried out on the tenement. The Company now awaits the decision of the Ministry on the licence extension.

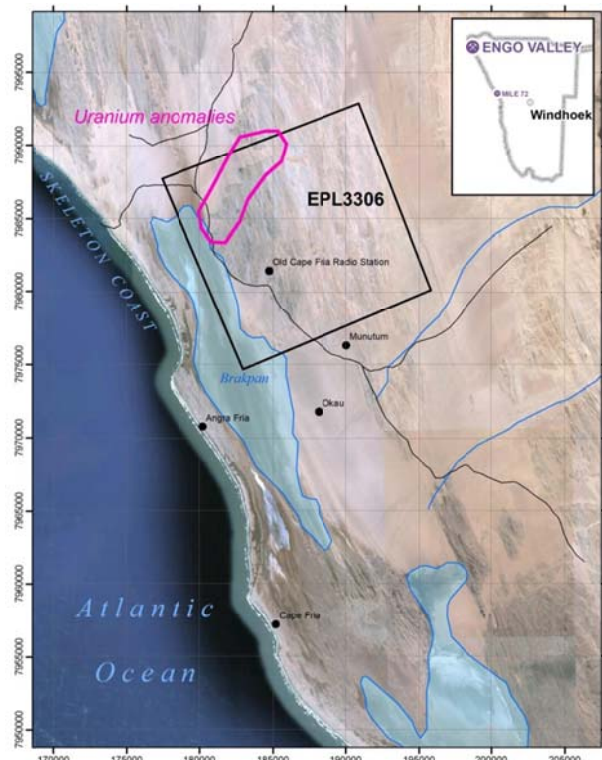


Figure 5 – The Engo Valley licence area (EPL3306) and surrounds

BASE METAL PROJECTS, WESTERN AUSTRALIA



Figure 6 - Location of the Western Australian base metals projects

Metals currently holds an interest in two base metal projects in Western Australia (Figure 6). The Manindi zinc project is located around 500 km northeast of Perth and is being explored 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

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

During the year, the Company continued to review the potential of the project to yield new copper and nickel mineralisation in addition to the existing zinc-copper resources at the project. In April 2013, Sirius Resources released a series of positive announcements from its Inky Cu-Ni Prospect (see Figure 7 and the Sirius Resources NL announcement of 2 April 2013). The Inky prospect is located 1 km south of the licence boundary of Metals' M57/533, just 2 km south of the Metals Wombat Cu-Ni soil and VTEM anomalies, and 6.25 km SE of the Manindi Zn-Cu-Au-Ag Resource.

A review of VTEM and geochemistry targets continues. The work to date indicates the potential to locate Cu-Ni mineralisation in the ultramafic and gabbroic rocks contained in the Manindi sequence.

Metals has identified seven untested geophysical anomalies adjacent to the known mineralisation at Manindi which constitute a number of attractive new drill targets for copper-zinc and copper-nickel mineralisation. Copper-rich VMS deposit discoveries such as Sandfire's Doolgunna Project and Cu-Ni discoveries such as Sirius' Nova deposit have been found utilising similar geophysical techniques in the recent past. Manindi is located within a known mineralised terrane with significant upside potential for further base metals discovery.

Planning has commenced for additional programs at Manindi, including new soil sampling programs focused on the identification of copper and nickel, as well as starting a detailed review of the resource estimate for the Manindi Zn-Cu-Au-Ag mineralisation.

Manindi Existing Resources

The Manindi base metal 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.

In 2008, Metals delineated a resource that complied with all JORC requirements at that time. The resource (at a 1% Zinc cutoff) was calculated to be:

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

With changes to JORC reporting criteria, the Company will review the historical resource to ensure compliance.

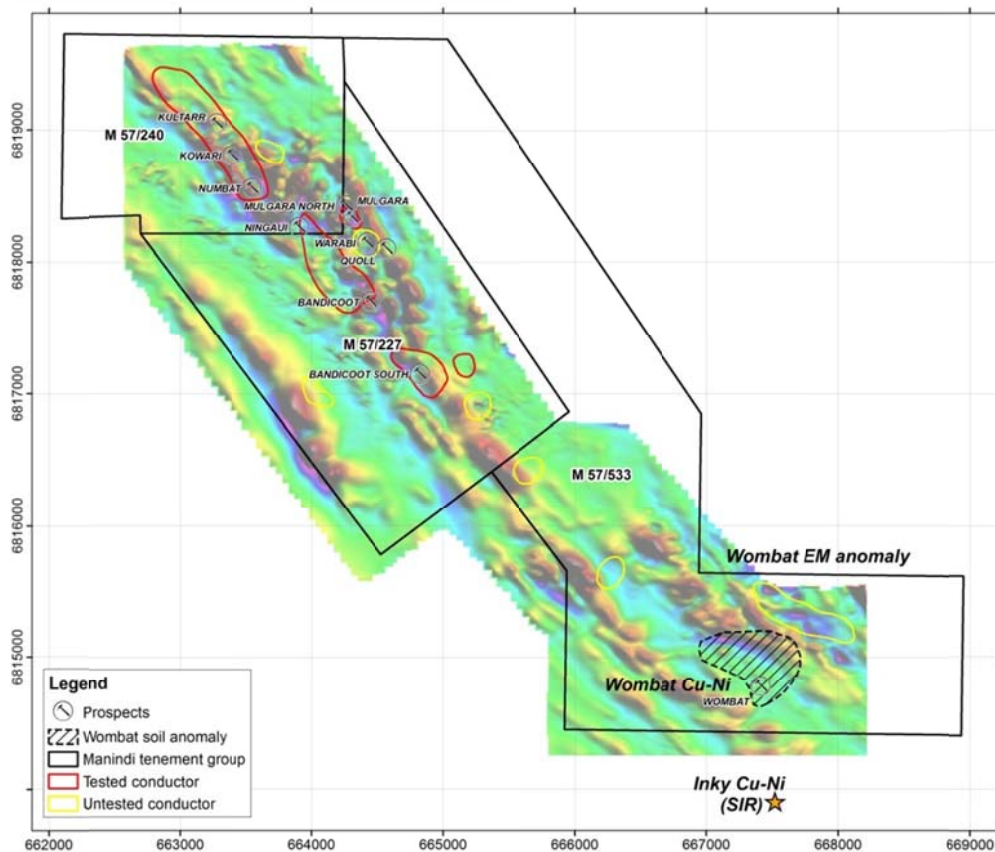


Figure 7 - EM and Geochemistry targets at Manindi showing location of Inky Prospect (Sirius Resources)

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 located between Roebourne and Whim Creek in the Western Pilbara and is prospective for nickel, copper, silver and gold mineralisation. Known deposits within the region include; Sherlock Bay (Ni,Cu), Balla Balla (Fe,Ti,V & P), plus the Salt Creek, Balla Balla and Whim Creek base metals deposits (Cu,Zn,Pb).

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 sampling program, which was based on a combination of information generated by hyperspectral and topographic surveys and past biogeochemical assay data, was completed during the last reporting year. The program included sampling on all tenements in the Sherlock Bay and Sherlock Bay Extended project areas. A total of 20 target areas have been identified for follow-up.

ARH also undertook an extensive vegetation sampling program across tenements making up the Sherlock Bay Extended Project. ARH has requested that their consultant review and interpret the assay results in conjunction with existing hyperspectral and topography data, and in combination with historic data. Assay results were received in the first half of 2013, and an interpretation completed.

The interpretive work has identified seven areas of interest shown on Figure 8 and Table 1. Thirteen targets where further exploration is warranted were identified on the JV tenements. The interpretation gave significant consideration to specific elements that might be most significant in determining areas of potential economic mineralisation.

REVIEW OF OPERATIONS

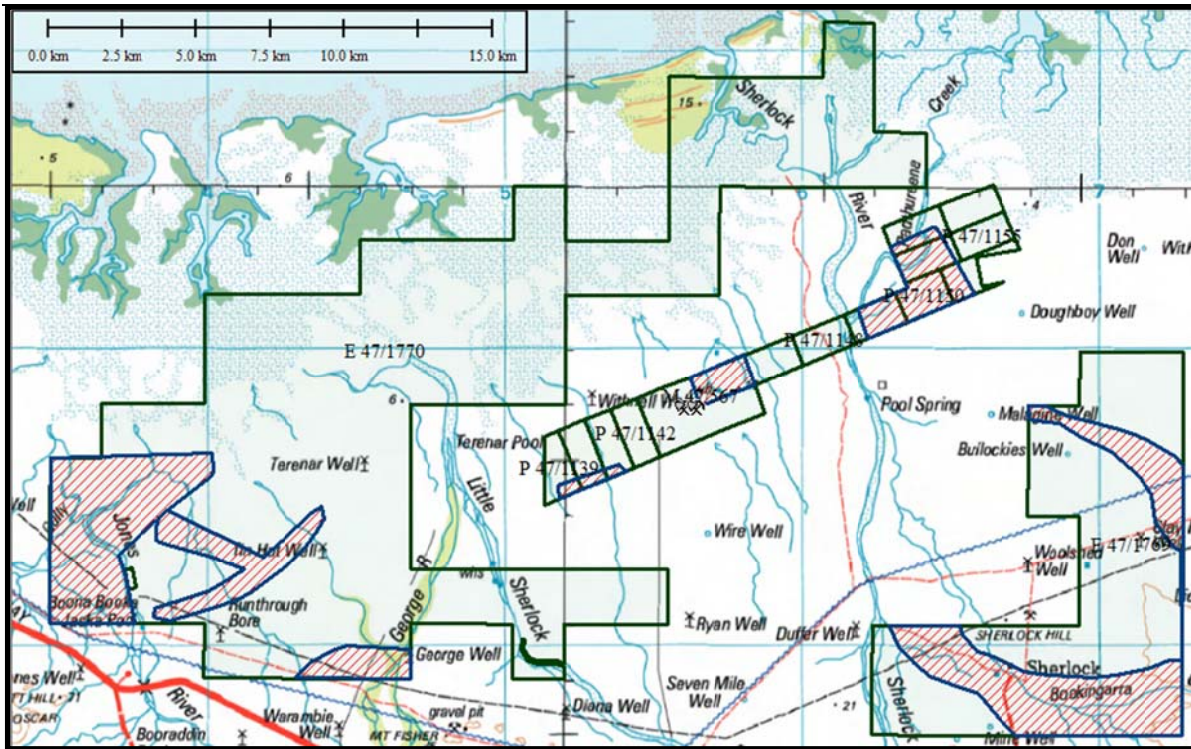


Figure 8- Areas of exploratory interest set against 1:250,000 topography data (red oval indicates Sherlock deposit)

Targeted Anomalism	Prospective Areas	Prospective Area Subgroup	Tenement
Nickel	Area 1	A1.1	E47/1770
		A1.2	E47/1770
		A1.3	E47/1770
	Area 2	A2.1	E47/1770
		A2.2	E47/1770
	Area 7	A7.1	E47/1769
		A7.2	E47/1769
Gold	Area 8	E47/1770	
	Area 9	E47/1769	
Platinoid	Area 10	E47/1769	
Titanium	Area 11	E47/1770	
	Area 12	E47/1770	

Table 1 - Total areas of exploratory interest (note Ti is often elevated in areas of interest for Nickel)

The consultant to ARH has recommended further geochemical and biogeochemical sampling in order to better define targets identified throughout the area covering the joint venture tenements.

GOLD PROJECTS, VICTORIA

Metals holds two low impact exploration licences in western Victoria (Figure 9). The St Arnaud South (EL5242) and Wedderburn (EL5243) projects contain significant historic workings that have received little modern and systematic exploration.

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.

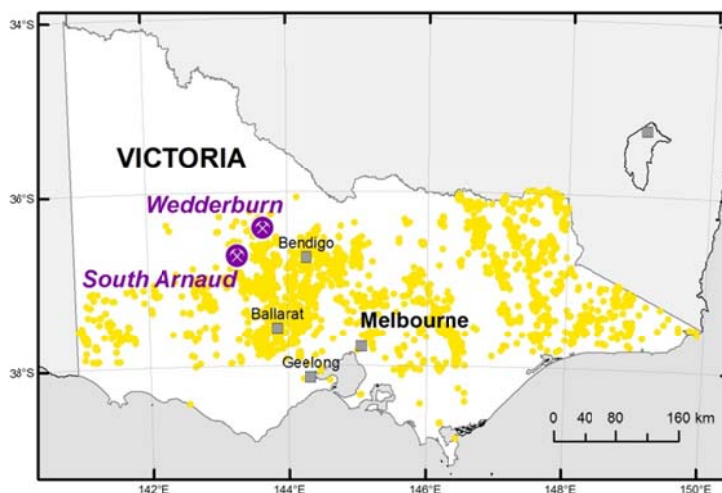


Figure 9 – Location of the Wedderburn and South Arnaud projects in western Victoria. Yellow dots represent gold deposits and prospects, and their distribution highlights the rich gold belts of Victoria.

EL5242 St Arnaud South – Percydale Fault Zone

Previous work on EL 5242 is focused on workings hosted by the Percydale Fault Zone, which is a sheared, altered zone of strong deformation that is up to 500 metres wide. The fault zone within the licence contains regular northwest striking, west-dipping zones that show a strong association with gold mineralisation. The Company has focused on the Sailor-Greenock-Federal trend of mineralisation as a potential significant exploration target.

Discrete veins within this zone have exhibited high grade gold mineralisation over short strike lengths of 50 to 100 metres. Grades have typically been in the range of 10 to 30 g/t Au, and high values of lead, zinc, copper, and silver have been associated with the gold mineralisation at various locations throughout the area.

Large tonnage, moderate grade gold potential

Historical exploration in the region was for low tonnage, high grade gold deposits. A review of that work shows that a series of small high-grade bodies were identified (3,000-10,000t range), but the potential for larger, lower grade disseminated gold mineralisation in the area was not considered.

Reappraisal of the historical work indicates there is potential for a 10 to 20 metre wide, moderate grade shear zone to exist between hanging wall and footwall fault structures in the EL area (North Percydale Block).

Work by Metals has shown rock chip samples from the Greenock mine area returned in excess of 3 g/t Au. The length and orientation of these zones is presently unknown but will be subject to further work.

Competent Person Declaration

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Matthew Painter, who is a member of The Australasian Institute of Geoscientists. Dr Painter is a full time consultant to Metals Australia Limited and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Dr Painter consents to the inclusion in the 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 program and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may", "potential," "should," and similar expressions are forward-looking statements. Although Metals Australia Ltd believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

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 2013.

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 (until 23 Jul 2012)
Michael Scivolo (appointed 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 loss of the Group for the financial year after providing for income tax amounted to \$778,916 (2012: \$1,178,651).

DIVIDENDS

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

FINANCIAL POSITION

The net assets of the group have decreased by \$858,556 from \$7,663,517 at 30 June 2012 to \$6,804,961 at 30 June 2013.

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

METALS AUSTRALIA LTD

DIRECTORS' REPORT

(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 Limited and Sabre Resources Ltd.

(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 and elected at the Company's Annual General Meeting on 30 November 2012. He is also a Director of South East Asia Resources Ltd (formerly Victory West Metals Ltd), Blaze International Ltd, Prime Minerals Ltd, Power Resources Ltd, Sabre Resources 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, FCSA

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

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

Name	Ordinary Shares	Options
H S Majteles	2,950,000	-
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) 2013

Key Management
Personnel

	Short-term Benefits		Superannuation	Share-based Payment Options	Total
	Directors Fees	Consulting Fees			
	\$	\$		\$	\$
H S Majteles	30,000	-	2,700	-	32,700
A Clemen	4,750	-	-	-	4,750
M Scivolo	11,283	-	1,015	-	12,298
D Zukerman	-	14,572	5,240	-	19,812
K Munro	-	26,000	-	-	26,000
V Algar (from October 2012)	-	41,935	-	-	41,935
N Grafton	-	35,512	4,983	-	40,495
TOTAL	46,033	118,019	13,938	-	177,990

METALS AUSTRALIA LTD

DIRECTORS' REPORT

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
K Munro	-	197,000	-	59,000	256,000
N Grafton	-	28,236	9,240	-	37,476
TOTAL	70,344	331,926	21,323	59,000	482,593

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. During the year the Company did not engage remuneration consultants to review its existing remuneration policies.

At the last AGM shareholders voted to adopt the remuneration report for the year ended 30 June 2012. The Company did not receive specific feedback at the AGM regarding its remuneration practices.

END OF REMUNREATION REPORT

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, and no options were granted to Directors during the year under review.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2013 and the number of meetings attended by each Director.

Name	Eligible to attend	Attended
H S Majteles	6	6
M Scivolo	5	5
D Zukerman	6	6

METALS AUSTRALIA LTD

DIRECTORS' REPORT

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

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

Mr Zukerman retired by rotation as a Director at the Annual General Meeting on 30 November 2012 and was re-elected.

Mr Scivolo, who was appointed to fill a casual vacancy on the death of Mr Clemen on the 23 July 2012, was elected as a Director at the Annual General Meeting on 30 November 2012.

At the forthcoming Annual General Meeting, Mr Majteles 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

On 2 September 2013, the Company placed 50,000,000 shares at 1 cent each to raise \$500,000. These monies will be used to fund the Company's ongoing exploration, including the drilling program at its Mile 72 uranium prospect in Namibia, and also to provide additional working capital. In addition, 50,000,000 unlisted options were granted at a cost of 0.01 cents per option. These options are exercisable at 2 cents each at any time up to their expiry on 31 August 2016.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group, the results of 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 47.

DIRECTORS' BENEFITS

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

AUDIT COMMITTEE

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

NON AUDIT SERVICES

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

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

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

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



D Zukerman
DIRECTOR

Dated this twenty third day of September 2013
Perth, Western Australia

METALS AUSTRALIA LTD

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013**

	Notes	Consolidated 2013 \$	2012 \$
Revenue			
Interest earned		74,509	87,835
		74,509	87,835
Expenditure			
Change in fair value of investments		185,035	259,696
Impairment of exploration costs		743	22,178
Management fees		253,197	246,779
Directors' fees and services		65,811	89,867
Stock exchange fees		28,119	40,171
Administration costs		149,053	176,879
Consulting Fees		-	123,465
Other operating costs		164,038	236,960
Share based payments		-	70,800
Depreciation expense		18,374	49,817
		864,370	1,316,612
Profit/(loss) before income tax		(789,861)	(1,228,777)
Income tax benefit	4	(10,945)	(50,126)
Profit/(loss) after income tax		(778,916)	(1,178,651)
Attributable to:			
Minority interest		-	-
Members of the parent entity	15	(778,916)	(1,178,651)
<i>Other Comprehensive Income, net of tax:</i>			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign controlled entities		(79,640)	(102,947)
Total Comprehensive Income/(Loss) for the year		(858,556)	(1,281,598)
Total Comprehensive Income attributable to:			
Minority interest	16	-	-
Members of the parent entity		(858,556)	(1,281,598)
Total Comprehensive Income		(858,556)	(1,281,598)
Earnings per share		Cents	Cents
Basic and diluted profit/(loss) per share	17	(0.10)	(0.17)

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

METALS AUSTRALIA LTD

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013**

		Consolidated	
	Notes	2013	2012
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	7	1,294,625	2,216,314
Trade and other receivables	8	33,386	75,560
TOTAL CURRENT ASSETS		1,328,011	2,291,874
NON-CURRENT ASSETS			
Plant and equipment	9	27,552	49,506
Financial assets	10	103,345	288,379
Exploration and evaluation expenditure	11	5,460,174	5,163,431
TOTAL NON-CURRENT ASSETS		5,591,071	5,501,316
TOTAL ASSETS		6,919,082	7,793,190
CURRENT LIABILITIES			
Trade and other payables	12	114,121	129,673
TOTAL CURRENT LIABILITIES		114,121	129,673
TOTAL LIABILITIES		114,121	129,673
NET ASSETS		6,804,961	7,663,517
EQUITY			
Issued capital	13	24,613,601	24,613,601
Option reserve	14	2,351,206	2,351,206
Foreign currency translation reserve		191,832	271,472
Accumulated losses	15	(20,351,678)	(19,572,762)
PARENT EQUITY INTEREST		6,804,961	7,663,517
Minority interest	16	-	-
TOTAL EQUITY		6,804,961	7,663,517

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 2013**

CONSOLIDATED ENTITY					
	Issued Capital	Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2011	22,126,676	2,280,406	374,419	(18,394,111)	6,387,390
Loss attributable to members of parent entity	-	-	-	(1,178,651)	(1,178,651)
Total other comprehensive income/(loss) for the year, net of tax	-	-	(102,947)	-	(102,947)
Total Comprehensive Income	-	-	(102,947)	(1,178,651)	(1,281,598)
Shares/options issued	2,512,400	70,800	-	-	2,583,200
Share Issue Costs	(25,475)	-	-	-	(25,475)
Balance as at 30 June 2012	24,613,601	2,351,206	271,472	(19,572,762)	7,663,517
Loss attributable to members of parent entity	-	-	-	(778,916)	(778,916)
Total other comprehensive income/(loss) for the year, net of tax	-	-	(79,640)	-	(79,640)
Total Comprehensive Income	-	-	(79,640)	(778,916)	(858,556)
Balance as at 30 June 2013	24,613,601	2,351,206	191,832	(20,351,678)	6,804,961

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

METALS AUSTRALIA LTD

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013**

		Consolidated	
	Notes	2013	2012
		\$	\$
Cash flow from operating activities			
Payments to suppliers		(661,231)	(797,645)
Sundry Income		10,945	50,126
Interest received		102,144	90,012
Net cash used in operating activities	18(a)	<u>(548,142)</u>	<u>(657,507)</u>
Cash flow from investing activities			
Exploration and evaluation expenditure		(379,754)	(1,096,916)
Proceeds from disposal of plant and equipment		3,580	-
Purchase of plant and equipment		-	(43,862)
Net cash used in from investing activities		<u>(376,174)</u>	<u>(1,140,778)</u>
Cash flow from financing activities			
Proceeds from issue of shares		-	2,374,400
Share issue costs		-	(25,475)
Net cash provided by financing activities		<u>-</u>	<u>2,348,925</u>
Net increase (decrease) in cash and cash equivalents held		(924,316)	550,640
Cash and cash equivalents at the beginning of the financial year		2,216,314	1,659,752
Effect of exchange rates on cash holdings in foreign currencies		2,627	5,919
Cash and cash equivalents at the end of the financial year	7	<u>1,294,625</u>	<u>2,216,311</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 2013 was authorised for issue in accordance with a resolution of the Directors on 23 September 2013.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

The financial report is presented in Australian Dollars.

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

(b) Statement of compliance

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

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

The Group has adopted the new and revised Australian Accounting Standards and Interpretations that became mandatory during the reporting period. This has had no significant impact on the Group's accounting policies or the amounts reported during the current or half-year period.

New Accounting Standards for Application in Future Period

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting period, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: *Financial Instruments* (December 2010) and AASB 2010-7: *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010).

This standard is mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012-6 defers the application date of AASB 9 from 1 January 2013 to 1 January 2015. AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

The entity does not have any financial liabilities. Therefore, the Directors do not anticipate that the adoption of this standard will have any impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

The entity does not have any financial liabilities. Therefore, the Directors do not anticipate that the adoption of this standard will have any impact on the financial statements.

- AASB 10: *Consolidated Financial Statements*, AASB 11: *Joint Arrangements*, AASB 12: *Disclosure of Interests in Other Entities*, AASB 127: *Separate Financial Statements* (August 2011) and AASB 128: *Investments in Associates and Joint Ventures* (August 2011) (as amended by AASB 2012-10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*), and AASB 2011-7: *Amendments to Australian Accounting Standards*.

AASB 10 provides a revised definition of “control” and additional application guidance so that a single control model will apply to all investees. When adopted, this Standard is not expected to significantly impact the Group’s financial statements.

AASB 11 requires joint arrangements to be classified as either “joint operations” (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or “joint ventures” (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). When adopted, this Standard is not expected to significantly impact the Group’s financial statements.

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a “structured entity”, replacing the “special purpose entity” concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. When adopted, this Standard will affect disclosures only and therefore is not expected to significantly impact the Group’s financial statements.

- AASB 13: *Fair Value Measurement* and AASB 2011-8: *Amendments to Australian Accounting Standards arising from AASB 2013* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted by other Standards.

These Standards are expected to result in more detailed fair value disclosures, but are not expected to significant impact the amounts recognised in these financial statements.

- AASB 2011-4: *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (applicable for annual reporting periods beginning on or after 1 January 2013).

This Standard makes amendments to AASB 124 *Related Party Disclosures* to remove the individual key management personnel (KMP) disclosure requirements by Australia specific paragraphs.

When adopted, these amendments are unlikely to have any significant impact on the financial statements.

- AASB 119: *Employee Benefits* (September 2011) and AASB 2011-10: *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011) (applicable for annual reporting periods beginning on or after 1 January 2013).

This Standard introduces a number of changes to presentation and disclosure of a defined benefit plan. AASB 119 also includes changes to the criteria for determining when termination benefits should be recognised as obligation.

NOTES TO THE FINANCIAL STATEMENTS

- AASB Interpretation 20: *Stripping Costs in the Production Phase of Surface Mining* (applicable for annual reporting periods beginning on or after 1 January 2013).

This interpretation clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production stage of a mine must be capitalized as inventories under AASB 102: *Inventories* if the benefits from stripping activity is realised in the form of inventory produced.

The entity does not operate a surface mine. Therefore, there will be no impact on the financial statements when this interpretation is first adopted.

- AASB 2012-2: *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* (application for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's statement of financial position.

When adopted, there will be no impact on the entity as the entity does not have any netting arrangements in place.

- AASB 2012-5: *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011* (applicable for annual reporting periods beginning on or after 1 January 2013).

These amendments are a consequence of the annual improvement process, which provides a vehicle for making non-urgent but necessary amendments to Standards.

When these amendments are first adopted, this Standard is not expected to significantly impact the Group's financial statements.

(d) 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 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.

NOTES TO THE FINANCIAL STATEMENTS

obligation and is able to make an additional investment to cover the losses.

(e) Interest in joint venture operation

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

(f) Foreign currency translation

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

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

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

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

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

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

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

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

(g) Property, plant and equipment

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

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

Plant and equipment – over 3 to 5 years

Impairment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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.

(h) Goodwill

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

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

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

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

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

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

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

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

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS

(j) Investments and other financial assets

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

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

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale-investments

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

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

(k) 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.

(l) Trade and other receivables

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

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

(m) Cash and cash equivalents

Cash and short-term deposits in the 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.

(n) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

(o) Share-based payment transactions

(i) Equity settled transactions:

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

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

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

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

(ii) Cash settled transactions:

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

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

(p) Revenue

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

Sale of goods

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

Interest

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

Dividends

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

NOTES TO THE FINANCIAL STATEMENTS

(q) 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.

(r) Other taxes

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(s) 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.

(t) Contributed equity

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

(u) Earnings per share

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

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

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

(v) Comparatives

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

(i) Significant accounting judgments include:

(a) Classification of and value of investments

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

(b) Provision in and loans to subsidiaries

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

(c) Exploration expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of

NOTES TO THE FINANCIAL STATEMENTS

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 \$5,460,174.

(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	
	2013	2012
	\$	\$
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%:	(236,958)	(368,633)
Add:		
Tax effect of:		
Other non-allowable items	60,800	131,379
Deferred tax asset not brought to account	178,432	244,221
Less:		
Tax effect of:		
Research and development tax offset	(10,945)	(50,126)
Effect of overseas tax rate	(2,274)	(6,967)
Income tax benefit attributable to entity	(10,945)	(50,126)
Unrecognised deferred tax assets:		
- Tax losses: operating losses	3,385,277	3,194,754
- Temporary differences	4,650	4,500
	3,389,927	3,199,254
Unrecognised Deferred Tax Liabilities	(931,977)	(906,447)

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

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

5. Auditor's Remuneration

	2013	2012
	\$	\$
Remuneration of the auditor of the parent entity, Grant Thornton Audit Pty Ltd		
- auditing or reviewing the financial report	24,575	22,661
- taxation services provided by a related practice of the auditor	5,800	12,000
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial reports of subsidiaries	8,786	9,025
	39,161	43,686

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

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 2013.

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

	2013 \$	2012 \$
Short-term employee benefits	164,052	402,270
Superannuation	13,938	21,323
Share-based payments	-	59,000
	177,990	482,593

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 2013	Balance 1 July 2012	Granted as Compensation	Options Exercised	Options Expired	Other changes during the year	Balance 30 June 2013
H S Majteles	-	-	-	-	-	-
A Clemen	-	-	-	-	-	-
M Scivolo (From 23 July 2012)	-	-	-	-	25,000	25,000
D Zukerman	-	-	-	-	-	-
N Grafton	250,000	-	-	-	-	250,000
V Algar (From October 2012)	-	-	-	-	-	-
K Munro (No longer KMP)	5,000,000	-	-	-	(5,000,000)	-
Total	5,250,000	-	-	-	(4,975,000)	275,000

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)	275,000
V Algar	-	-	-	-	-	-
K Munro (No longer KMP)	-	5,000,000	-	-	-	5,000,000
Total	350,000	5,000,000	-	-	(125,000)	5,225,000

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 2013

	Balance 1 July 2012	Granted as Compensation	Issued on exercise of options during the year	Other changes during the year	Balance 30 June 2013
H S Majteles	2,950,000	-	-	-	2,950,000
A Clemen	450,010	-	-	(450,010)	-
M Scivolo	-	-	-	-	-
D Zukerman	-	-	-	-	-
N Grafton	350,000	-	-	-	350,000
V Algar	-	-	-	-	-
K Munro (No longer KMP)	-	-	-	-	-
Total	3,750,010	-	-	(450,010)	3,300,000

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 (No longer KMP)	-	-	-	-	-
Total	3,400,010	-	-	-	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	
	2013	2012
	\$	\$
<i>Represented by:</i>		
Cash at bank	144,625	66,314
Bank term deposits *	1,150,000	2,150,000
	1,294,625	2,216,314

* Bank deposits are treated as cash and cash equivalents as the funds can be easily accessed for an insignificant monetary penalty.

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	2013	2012
	\$	\$
8. Trade and Other Receivables		
Current		
Other debtors	33,386	75,560
	<u>33,386</u>	<u>75,560</u>
9. Plant and Equipment		
Plant and equipment, at cost	107,386	194,169
Less: accumulated depreciation	(79,834)	(144,663)
	<u>27,552</u>	<u>49,506</u>
 Movement:		
Opening written down value	49,506	55,461
Additions	-	43,862
Disposals	(3,580)	-
Depreciation	(18,374)	(49,817)
Closing written down value	<u>27,552</u>	<u>49,506</u>
10. Other financial assets		
Financial assets at fair value through profit or loss	103,345	288,379
	<u>103,345</u>	<u>288,379</u>
11. Exploration and Evaluation Expenditure		
Opening balance	5,163,431	4,197,560
Expenditure for the year	296,965	984,518
Impairment of exploration expenditure	(222)	(18,647)
	<u>5,460,174</u>	<u>5,163,431</u>
<p>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.</p>		
12. Trade and other Payables		
Current		
Payables	114,121	129,673
	<u>114,121</u>	<u>129,673</u>

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

13. Issued Capital

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 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
30 June 2013	Balance	767,926,110		24,613,601

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.

14. Share Option Reserve

Date	Details	Number of Options	Unit Price (cents)	Amount \$
1 July 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
30 June 2013	Balance	233,435,767		2,351,206

There were three classes of options at year end:

- (i) 163,665,000 options (MLSOA) (which expire on 30 September 2013) with an exercise price of 2 cents per option. 63,770,767 unlisted options (MLSAI) which expire on 1 December 2013 with an exercise price of 5 cents per option.
- (ii) 6,000,000 unlisted options (MLSAM) (which expire 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 0.30 years.

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

Capital Management

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

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

15. Accumulated Losses

	Consolidated	
	2013	2012
	\$	\$
Accumulated losses at the beginning of the year	(19,572,762)	(18,394,111)
Profit/(loss) for year	(778,916)	(1,178,651)
Accumulated losses at the end of the financial year	(20,351,678)	(19,572,762)

16. Minority Interest

Comprises:

Share capital

Accumulated losses

	2	2
	(2)	(2)
	-	-

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

17. Earnings per Share

Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share

767,926,110	713,214,938
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Basic and diluted profit/(loss) per share – cents

(0.10)	(0.17)
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METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

18(a). Cashflow Information

Reconciliation to Statement of Cash Flows

	Consolidated	
	2013	2012
	\$	\$
Operating profit/(loss) after income tax	(778,916)	(1,178,651)
Non-cash items in profit/(loss)		
Share based payments expense	-	138,000
Write back of exploration expenditure	-	22,178
Impairment of Exploration and evaluation expenditure	743	-
Revaluation of shares	185,035	259,696
Options expensed	-	70,800
Depreciation	18,374	49,817
Changes in assets and liabilities:		
Decrease / (increase) in trade and other receivables	42,174	(17,820)
Increase / (decrease) in trade and other payables	(15,552)	(1,527)
Net cash flows (used in) operating activities	(548,142)	(657,507)

18(b). Non-cash share based payments

No non-cash share based payments were made during the year under review, but the following such payments were made during the previous year:

- (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	
	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$
	0.00% - 5.50%	0.00% - 6.11%				
Financial Assets						
Cash and cash equivalents	1,294,625	2,216,314	-	-	1,294,625	2,216,314
Loans and Receivables	-	-	33,386	75,560	33,386	75,560
Held for trading investments	-	-	103,345	288,379	103,345	288,379
Total Financial Assets	1,294,625	2,216,314	136,731	363,939	1,431,356	2,580,253
Financial Liabilities (at amortised cost)						
Trade and other payables	-	-	(114,121)	(129,673)	(114,121)	(129,673)
Net Financial Assets	1,294,625	2,216,314	22,610	234,266	1,317,235	2,450,580

Reconciliation of Financial Assets to Net Assets

	Consolidated	
	2013	2012
	\$	\$
Net financial assets	1,317,235	2,450,580
Exploration and evaluation expenditure	5,460,174	5,163,431
Plant & equipment	27,552	49,506
Net assets	6,804,961	7,663,517

(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

NOTES TO THE FINANCIAL STATEMENTS

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

(e) Liquidity Risk

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

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

(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 2013, the effect on profit/(loss) and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated	
	2013	2012
	\$000	\$000
Change in profit/(loss)		
- Increase in interest rate by 2%	26	38
- Decrease in interest rate by 2%	(26)	(38)
Change in equity		
- Increase in interest rate by 2%	26	38
- Decrease in interest rate by 2%	(26)	(38)

Foreign Currency Risk Sensitivity Analysis

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

Price Risk Sensitivity Analysis

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

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dates and does not reflect management's expectations that banking facilities will be rolled forward.

Consolidated Group	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$
<i>Financial Liabilities - Due for Payment</i>								
Trade and other payables	114,121	129,673	-	-	-	-	114,121	129,673
Total expected outflows	114,121	129,673	-	-	-	-	114,121	129,673
<i>Financial Assets - Cash Flows Realisable</i>								
Cash and cash equivalents	144,625	66,314	-	-	-	-	144,625	66,314
Bank deposits over 3 months	1,150,000	2,150,000	-	-	-	-	1,150,000	2,150,000
Receivables	33,386	75,560	-	-	-	-	33,386	75,560
Financial assets through profit or loss	-	-	103,345	288,379	-	-	103,345	288,379
Total anticipated inflows	1,328,011	2,291,874	103,345	288,379	-	-	1,431,356	2,580,253
Net (outflow)/inflow on financial instruments	1,213,890	2,162,201	103,345	288,379	-	-	1,317,235	2,450,580

Price risk

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

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

Financial Instruments Measured at Fair Value

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

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

METALS AUSTRALIA LTD

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	Level 1	Level 2	Level 3	Total
Consolidated Group	\$000	\$000	\$000	\$000
2013				
Financial assets				
Financial assets at fair value through profit or loss:-				
Investments: held for trading	103	-	-	103
	103	-	-	103

2012

Financial assets

Financial assets at fair value through profit or loss:-

Investments: held for trading	288	-	-	288
	288	-	-	288

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	
			2013 %	2012 %	2013 \$	2012 \$	2013 \$	2012 \$
Karrilea Holdings Pty Ltd	Australia	Ordinary	80	80	-	-	-	-
Metals Namibia (Pty) Ltd	Namibia	Ordinary	100	100	-	-	(75,809)	(174,178)

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.

Related Party	Relationship	Nature Of Transaction	Year ended 30 June 2013		Year ended 30 June 2012	
			Transaction	Balance	Transaction	Balance
Karrilea Holdings Pty Ltd	Subsidiary	Exploration assets	65,347	3,250,835	229,044	3,185,488
Metals Namibia (Pty) Ltd	Subsidiary	Exploration assets	122,000	1,980,905	510,492	1,858,905
Karrilea Holdings Pty Ltd	Subsidiary	Provisions	(65,347)	(3,250,835)	(229,044)	(3,185,488)
Metals Namibia (Pty) Ltd	Subsidiary	Provisions	(122,000)	(1,980,905)	(510,492)	(1,858,905)
Sabre Resources Limited	Common directorship	Employee Costs	(41,011)	(3,612)	66,998	(10,023)
Golden Deepes Limited	Common directorship	Employee Costs	(20,404)	(1,729)	59,010	(2,468)

All transactions with Directors are disclosed in Note 6.

NOTES TO THE FINANCIAL STATEMENTS

22. Operating Segments**Segment Information****Identification of reportable segments**

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

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

Segments

The 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.

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NOTES TO THE FINANCIAL STATEMENTS

Segment Performance

<u>2013</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				74,509
Unallocated - Gain/(loss) on investments				(185,035)
Total Group Revenue				(110,526)
<u>Segment Profit/(loss)</u>			(75,809)	(75,809)
Unallocated items - corporate charges				(703,107)
Total Group profit/(loss)				(778,916)
<u>Segment Assets</u>	3,250,835	226,823	2,085,860	5,563,518
Unallocated - cash, receivables, plant & equipment				1,355,563
Total Group Assets				6,919,081
<u>Segment Liabilities</u>				
Unallocated - corporate trade payables	109,221	-	4,900	114,121
Total Group Liabilities				114,121

<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>				
Unallocated items - corporate charges	-	-	(174,178)	(174,178)
Total Group profit/(loss)				(1,004,473)
				(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

NOTES TO THE FINANCIAL STATEMENTS

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 \$980,100, as follows:

Year Ending 30 June	Amount \$
2014	298,100
2015	208,000
2016	158,000
2017	158,000
2018	158,000
	<u>980,100</u>

(ii) Management Agreement

The Company has an agreement with a management service company for the provision of services at \$255,000 per annum plus CPI. Charges are at commercial terms in accordance with the Deed of Variation of Management Agreement entered into on 18 October 2012 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 2013.

25. Subsequent Events

On 2 September 2013, the Company placed 50,000,000 shares at 1 cent each to raise \$500,000. These monies will be used to fund the Company's ongoing exploration, including the drilling program at its Mile 72 uranium prospect in Namibia, and also to provide additional working capital.

METALS AUSTRALIA LTD

NOTES TO THE FINANCIAL STATEMENTS

26. Parent Entity Information

The following details information related to the parent entity, Metals Australia Ltd, at 30 June 2013. The information presented here has been prepared using consistent accounting policies as shown in Note 2.

	Parent Entity	
	2013	2012
	\$	\$
ASSETS		
Current assets	1,301,375	2,258,754
Non-current assets	1,803,689	1,751,100
TOTAL ASSETS	3,105,064	4,009,854
LIABILITIES		
Current liabilities	(109,221)	(123,557)
Non-current liabilities	-	-
TOTAL LIABILITIES	(109,221)	(123,557)
EQUITY		
Issued capital	24,613,601	24,613,601
Accumulated losses	(23,968,964)	(23,078,510)
TOTAL EQUITY	644,637	1,535,091
RESERVES		
Share option reserve	2,351,306	2,351,206
TOTAL RESERVES	2,351,306	2,351,206
FINANCIAL PERFORMANCE		
(Loss) for the year	(890,453)	(1,743,689)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE (LOSS)	(890,453)	(1,743,689)

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 and Management Agreement fees as set out below.

Year Ending 30 June	Amount \$
2014	553,100
2015	463,000
2016	413,000
2017	413,000
2018	413,000
	2,255,100

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 16 to 45, and the remuneration disclosures that are contained in pages 12 to 13 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 2013 and of its performance, for the financial year ended on that date;
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (iii) complying with International Financial Reporting Standards as disclosed in Note 2.
- (b) the remuneration disclosures that are contained in page 12 to 13 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 2013.

Signed in accordance with a resolution of the Directors:



D Zukerman
DIRECTOR

Dated this twenty third day of September 2013
Perth, Western Australia

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

Report on the financial report

We have audited the accompanying financial report of Metals Australia Ltd (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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.

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

- a the financial report of Metals Australia Ltd 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 2013 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 3 to 4 of the Directors' Report for the year ended 30 June 2013. 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 Ltd for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J W Vibert
Partner - Audit & Assurance

Perth, 26 September 2013

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

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

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J W Vibert
Partner - Audit & Assurance

Perth, 26 September 2013

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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.

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.

METALS AUSTRALIA LTD

CORPORATE GOVERNANCE

Chairman

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

Corporate Manager

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

Company Secretary

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

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.

METALS AUSTRALIA LTD

CORPORATE GOVERNANCE

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.

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:
- 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 matter relevant to audit and risk management processes.

METALS AUSTRALIA LTD
CORPORATE GOVERNANCE

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.

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.

METALS AUSTRALIA LTD
CORPORATE GOVERNANCE

Principle 7: Recognise and manage risk

Creation and implementation of Company risk management policies

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

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

Audit and Risk Management

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

Review by the Board

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

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

Corporate Manager

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

Verification of financial reports

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

that the Company's financial reports contain a true and fair view, in all material respects, of the financial condition and operating performance of the Company and comply with relevant accounting standards; and

- that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

Director and senior executive remuneration policies

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

- 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.

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. 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

METALS AUSTRALIA LTD
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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 paragraph o, 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.

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.

METALS AUSTRALIA LTD
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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 19 September 2013 the distribution of members and their shareholdings were:-

Range of Holding	Holders	Shares Held	Percent
1 - 1,000	97	58,306	0.01
1,001 - 5,000	279	949,497	0.12
5,001 - 10,000	382	3,286,540	0.40
10,001 - 100,000	1,428	63,802,046	7.80
100,001 - and over	744	749,829,721	91.67
	2,930	817,926,110	100.00

(b) There exist 1,232 shareholders with unmarketable parcels of shares.

(c) The twenty largest shareholders as at 19 September 2013 which represents 46.01% of the paid up capital were as follows:

Name of Holder	Number	Percent
JP Morgan Nominees Australia Ltd	95,816,605	11.72
AI Opportunity Fund	50,000,000	6.11
Pan Pacific Mining Pty Ltd	35,000,000	4.28
Temmedo Pty Ltd	27,880,000	3.41
BNP Paribas Nominees Pty Ltd	26,062,700	3.19
Doyle Family Superannuation Fund	22,036,406	2.69
I-CAN Limited	17,000,000	2.08
Pio Services Limited	15,057,000	1.84
L C Asia Limited	12,720,000	1.56
Philip Hamlyn	11,200,000	1.37
HSBC Custody Nominees (Australia) Pty Ltd	10,296,583	1.26
Bassam Haddad	8,000,000	0.98
W D & M N Christman	7,050,000	0.86
Salvatore Danze	6,812,329	0.83
Paul Arsenis	6,750,000	0.83
Alban R Hasslinger	6,180,000	0.76
Zuvela Super Fund	5,000,000	0.61
Evangelos Kalafatas	4,943,298	0.60
Judith Sullivan	4,301,351	0.53
National Nominees Limited	4,215,693	0.52
	376,321,965	46.01

(d) **Substantial Shareholders**

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

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

METALS AUSTRALIA LTD
SHAREHOLDER INFORMATION

2. OPTIONHOLDERS

(a) As at 19 September 2013, there are 44 holders of listed options which are exercisable at 2 cents up to their expiry date of 30 September 2013.

(b) The twenty largest holders of listed options as at 19 September 2013 were as follows:

Name of Holder	Number	%
Colbern Fiduciary Nominees Pty Ltd	140,650,000	85.94
Robyn Clemen	5,000,000	3.06
Michael Hobbs	3,000,000	1.83
Benjay Pty Ltd	2,345,000	1.43
Brendon Deshon	2,000,000	1.22
National Nominees Limited	1,750,000	1.07
Judith Sullivan	1,000,000	0.61
Glenn Gibb	1,000,000	0.61
David Clark	1,000,000	0.61
Bruce Stewart	890,000	0.54
Bennett & Bennett Pty Ltd	850,000	0.52
Brenton Fone	700,000	0.43
Bluebase Pty Ltd	660,000	0.40
Willem & Hettie van Wyk	500,000	0.31
JP Morgan Nominees Australia Limited	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
	162,820,000	99.48

(c) There exist 29 optionholders with unmarketable parcels of options.

(d) There are also three classes of unlisted options:

- (i) 63,770,767 options, held by 16 holders, exercisable at 5 cents each at any time up to their maturity on 1 December 2013, and
- (ii) 6,000,000 options, held by 2 holders, exercisable at 4 cents each at any time up to their maturity on 14 November 2013, and
- (iii) 50,000,000 options, held by 1 holder, exercisable at 2 cents each at any time up to their maturity on 31 August 2016.