

# Quarterly Activities Report

September 2008



View north-east towards the Leichardt Project area (Cleanskin Prospect).

## **Mt Isa Metals Limited**

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## Highlights

### Corporate

- IPO successfully completed (oversubscribed) raising \$7 million from the issue of 35 million shares at 20 cents each.
- Mt Isa Metals admitted to the Official List of the Australian Securities Exchange on 20<sup>th</sup> August 2008 with quotation commencing on 22<sup>nd</sup> August 2008.
- Cash position at the end of the September 2008 quarter was \$6.85 million.

### Exploration / Projects

- Major geophysical survey commenced over the Gregory Project area to define iron-oxide copper gold drill targets within this substantial tenement holding (~2,000 km<sup>2</sup>)
- JV Heads of Agreement established with Legend International Holdings consolidates ownership in significant D-Tree Phosphate deposit (MET 20%, Legend 80%) – *subsequent to quarter end*
- Key geological appointments made to the positions of GM Exploration (Andrew Bowden) and Senior Exploration Geologist (Peter Ledwidge)
- Land access agreement concluded with Kalkadoon #4 Peoples over tenements in the greater Mt Isa region.

## Exploration

The location of the Company's exploration project areas (tenements and tenements applications) are shown below:

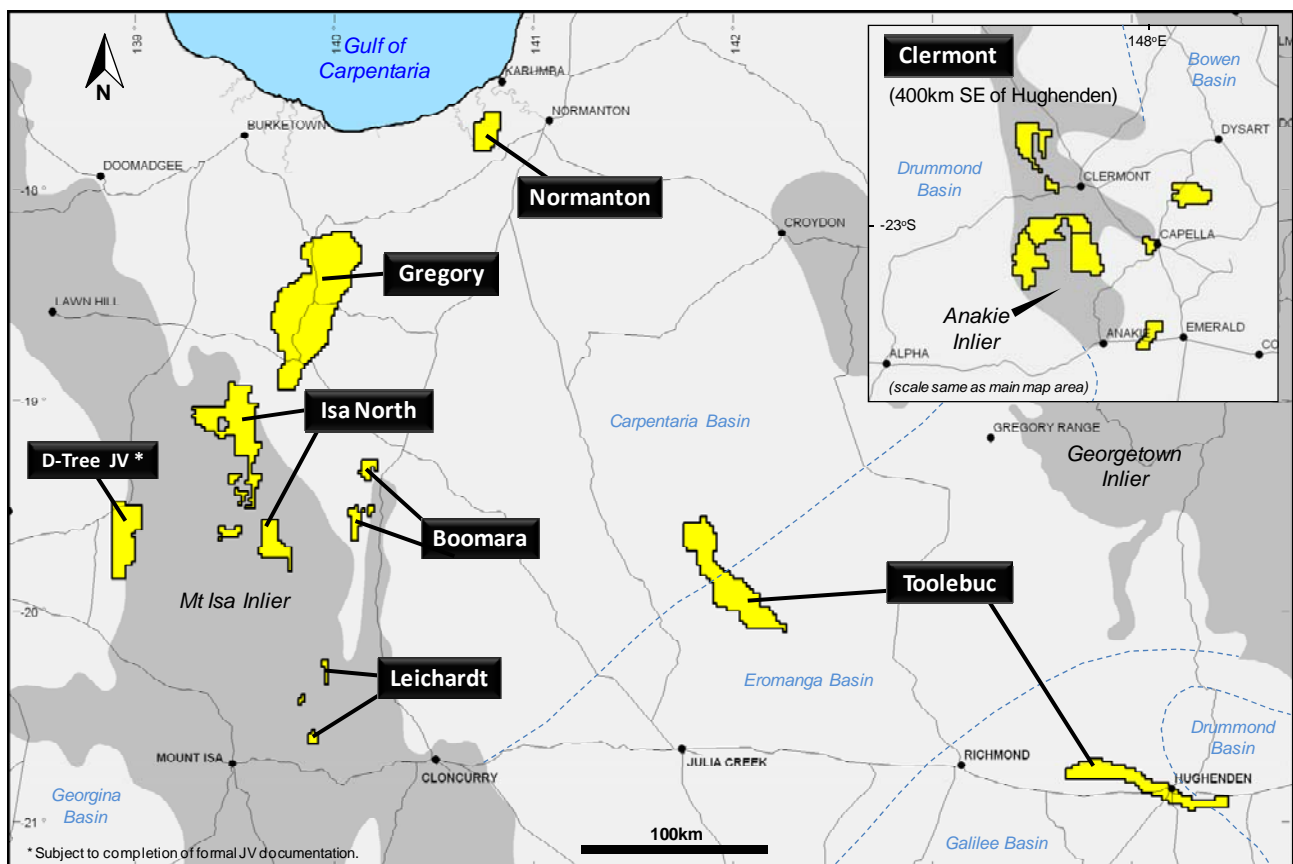


Figure 1 - Location of project areas.

## Exploration Overview

Exploration activity during the quarter focussed on establishing/expanding field capabilities in the Mt Isa region, recruitment, and progression of native title clearances.

Two key geological appointments were made during the quarter being General Manager – Exploration (Andrew Bowden) and Senior Exploration Geologist (Peter Ledwidge). The appointments bring a substantial amount of exploration experience to the Company across a wide range of commodities.

An exploration office was secured in Mt Isa during the quarter which will be occupied in early October. The Mt Isa base together with associated infrastructure will allow for the safe and effective management and implementation of the Company's exploration programs.

### Gregory Project (MET 100%)

During the quarter the Company announced the commencement of a major geophysical survey over the Gregory Project area.

The survey is planned to cover an area of approximately 2,000km<sup>2</sup> and is being undertaken to refine and prioritise IOCG targets for drill testing (figure 2).

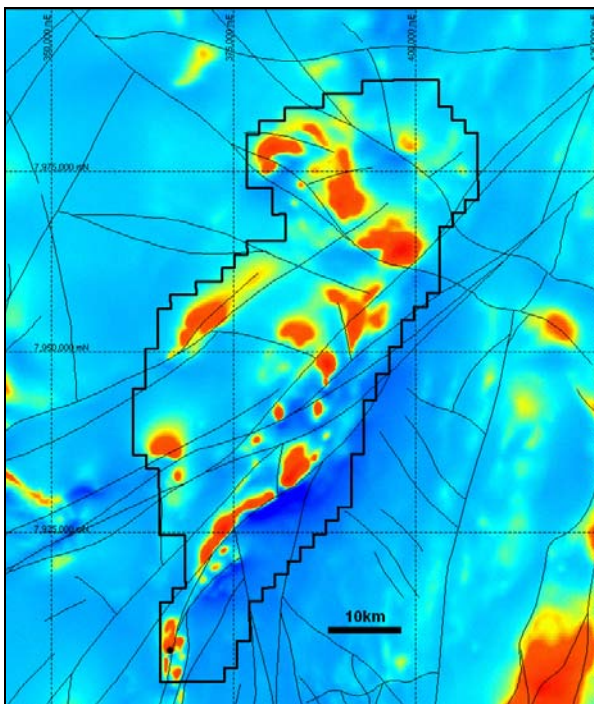


Figure 2 - Magnetic survey image of the Gregory area.

The Gregory survey will include the collection of gravity and magnetic data to test for the presence of iron oxides commonly associated with large scale IOCG alteration systems and to aid in the detailed interpretation of the basement geological structure.

The survey is anticipated to take several months to complete and is being conducted by Planetary Geophysics, a Queensland-based specialist geophysical group with international surveying expertise (figure 3).



Figure 3 - Gravity survey crew at Gregory Project.

Initial gravity survey results are providing high quality images with significantly enhanced resolution of basement features.

At the end of the quarter approximately 25% of the gravity survey had been completed.

During the quarter an exploration access agreement was finalised with the Kalkadoon #4 Peoples.

The Kalkadoon Agreement will allow for access to all Gregory Project area tenements and facilitate expedited grant of the two remaining tenement applications within the Gregory Project area.

## D-Tree Joint Venture (MET 20%)

During the quarter discussions were held with several parties regarding possible joint participation in the company's D-Tree West phosphate project.

Subsequent to the end of the quarter MET announced that it had entered into a Heads of Agreement with Legend International Holdings (Legend) for the formation of a joint venture over each party's respective interest in tenements overlying the D-Tree phosphate deposit.

The joint venture tenements (including applications) cover a total area of 492km<sup>2</sup> and include an estimated 100km<sup>2</sup> of mineralised phosphorite horizon that has been defined via historical drilling (figure 4).

The proposed joint venture consolidates and rationalises tenement ownership over the D-Tree deposit and is a significant positive step towards near-term mine development.

Legend will manage and hold an 80% interest in the joint venture. MET will hold a 20% contributing interest in the joint venture.

The joint venture will also have access to plant and infrastructure at Legend's 100%-owned proposed Lady Annie phosphate development which lies 15km to the east of D-Tree

Legend is a significant participant in the Australian phosphate sector and has established strong links with one of the world's major phosphate customers, Indian Farmers Fertilizer Cooperative Limited (IFFCO).

The joint venture with Legend will enhance potential for MET's participation in early cashflow from development of higher grade mineralisation within a much larger overall project area.

The Heads of Agreement is to be replaced by a formal joint venture agreement, which is expected to be finalised within 30 days.

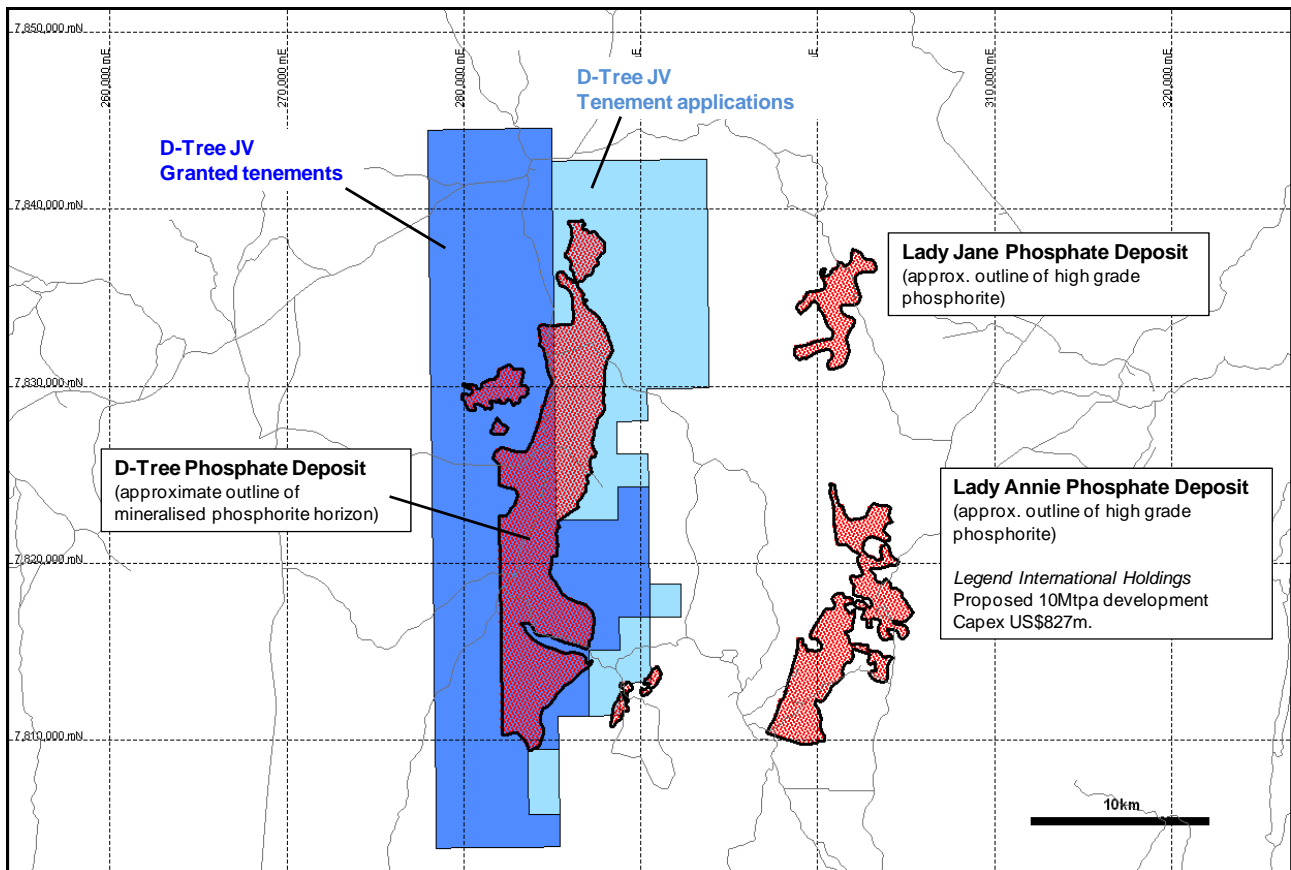


Figure 4 - Location diagram – D-Tree deposit and proposed joint venture tenements.

**D-Tree Joint Venture (cont'd)**

During the quarter, Legend commenced an initial 20,000 metre reverse circulation / diamond drilling program within the proposed joint venture area (figure 5).

The drilling will be used to re-validate historical results, convert the historical results to reserve status, and collect material for beneficiation test work.

Assay results are pending.

An early focus at D-Tree will be the identification of high grade ore suitable for potential direct shipment via the Mt Isa railhead (~140km distant by road).

Global demand for rock phosphate remains strong. The development of an early direct shipment operation has potential to satisfy immediate customer demand, provide a foundation for consolidating longer-term customer relationships, and, generate near term cashflow.

The Company looks forward to working closely with Legend to pursue the various development options available at D-Tree.

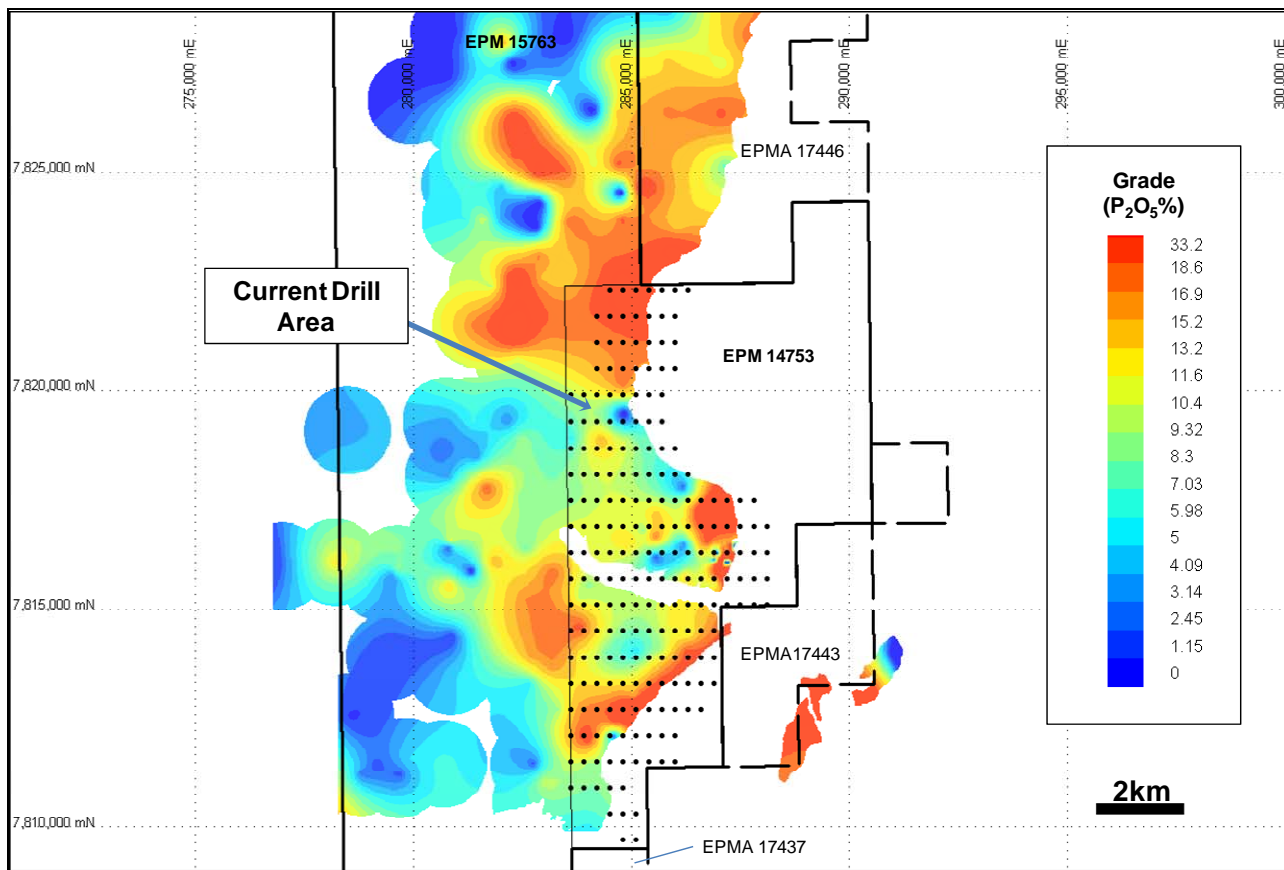


Figure 5 – Grade contour plot of central D-Tree deposit showing location of current drilling program.



Figure 6 - RC drilling within the D-Tree JV area – Sept. 2008.

### **Toolebuc Project (MET 100%)**

At Toolebuc, compilation of historical exploration data into digital (GIS) format was substantially advanced over the quarter.

Exploration at Toolebuc is targeting uranium, molybdenum and vanadium.

A detailed exploration program for Toolebuc will be developed in the next quarter.

### **Boomara Project (MET 100%)**

At the Boomara Project, an exploration access agreement was concluded with the Kalkadoon #4 Peoples to allow for access to all project area tenements.

The principal targets at Boomara are IOCG systems.

Tenement grant at Boomara is awaited from the Department of Mines and Energy.

### **Leichardt Project (MET 49% - 100%)**

Tenement grant is awaited over priority copper targets at the Barbara and Blockade prospects (West Leichardt JV - MET 49%).

A number of significant third party sulphide copper drill hole intersections were reported within the Barbara shear zone during the quarter.

The copper intersections lie external to but within 50m of MET's JV tenement boundary and suggest the mineralised zone extends into the JV tenement at depth.

Drill testing of extensions to the mineralised Barbara shear zone within the JV area will be an early focus following tenement grant.

### IPO / ASX-Listing

During the quarter the IPO was successfully completed (oversubscribed) raising \$7 million from the issue of 35 million shares at 20 cents each.

Despite the difficult market conditions there was very strong investor interest in the significant IOCG targets in the Mt Isa region and in the D-Tree phosphate project.

Mt Isa Metals was admitted to the Official List of the Australian Securities Exchange on 20th August 2008 with quotation commencing on 22nd August 2008.

The Board of Mt Isa Metals wishes to acknowledge the significant support of D'Aguilar Gold Ltd (the former parent entity), Bizzell Capital Partners (the underwriter to the IPO) and to our maiden shareholders in the successful IPO and ASX listing.

### Cash Reserves

Cash reserves and liquid investments totalled approximately \$6.85 million at the end of the quarter.

The Company has no debt.

### Capital Structure (at 30 September 2008)

Share price (MET):	\$0.14
Issued shares:	103.75m (53.13m under escrow)
Unlisted options:	14.90m
Market Cap.:	\$14.5 million (at 30 September 2008)

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Further information on Mt Isa Metals can be found on our website [www.mtisametals.com.au](http://www.mtisametals.com.au)

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#### Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Peter Spiers B.Sc (Hons) Geol., who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Spiers is a full time employee of the company. Mr Spiers has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Spiers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.