

MT ISA METALS LIMITED

A.B.N. 59 120 212 017

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

MT ISA METALS LIMITED

CORPORATE DIRECTORY

DIRECTORS

John Bovard
Peter Spiers
Nicholas Mather
Michele Muscillo

AUSTRALIAN BUSINESS NUMBER

59 120 212 017

SECRETARY

Duncan Cornish

ADMINISTRATION AND REGISTERED OFFICE

Level 5
60 Edward Street
Brisbane Qld 4000
Phone: + 61 7 3303 0624
Fax: +61 7 3303 0681
Website: www.mtisametals.com.au

SHARE REGISTRY

Link Market Services Limited
Level 12, 300 Queen Street
Brisbane Qld 4000
Phone: 1300 554 474
Fax: +61 2 9287 0303

SOLICITORS

Hopgood Ganim
Level 8, Waterfront Place
1 Eagle Street
Brisbane Qld 4000
Phone: + 61 7 3024 0000
Fax: +61 7 3024 0300

AUDITORS

BDO Kendalls
Level 18
300 Queen Street
Brisbane Qld 4000
Phone: +61 7 3237 5999
Fax: +61 7 3221 9227

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.

MT ISA METALS LIMITED

DIRECTOR'S REPORT

Your directors submit the financial report of the Company for the half-year ended 31 December 2008.

Directors

The names of directors who held office during or since the end of the half-year:

Peter Spiers
Nicholas Mather
John Bovard
Michele Muscillo

Review of Operations

Mt Isa Metals Limited is an Australian-based exploration company focused on the discovery and development of world-class mineral deposits in central and north-west Queensland.

Significant activities which occurred during the half-year include:

- JV Heads of Agreement established with Legend International Holdings Inc. (Legend) for the formation of a joint venture over each party's respective interest in tenements overlying the D-Tree phosphate deposit. (MET 20%, Legend 80%). The joint venture tenements (including applications) cover a total area of 492km² and include an estimated 100km² of mineralised phosphorite horizon that has been defined via historical drilling. The proposed joint venture will consolidate and rationalise tenement ownership over the D-Tree deposit and is a significant positive step towards near-term mine development.
- Significant progress made on the D-Tree JV phosphate resource delineation drilling program; 476 RC drill holes (for 12,520 metres) and 12 diamond drill holes (for 300 metres) completed by Legend to the end of December 2008. In excess of 10,500 drill samples have been submitted to laboratories for analysis with assay result pending.
- D-Tree metallurgical studies commenced by Legend, including collection of mineralised phosphorite from trench sampling and large diameter sonic drilling.
- Two significant residual gravity anomalies (potential IOCG targets) identified at the Gregory Project from the regional geophysical survey. Both anomalies are large scale gravity features which extend over an approximate 10km strike length and peak at 6Mgal above the background gravity values. In respect of the deposit type sought, IOCG deposits, the anomalies may represent dense hematite accumulations within IOCG alteration systems.
- Seven additional exploration tenements granted in the Mt Isa region for 912km² - tenement grants include the Gregory, Boomara, Isa North and Leichardt Project areas (IOCG and copper targets).
- Applications submitted to DME for additional exploration tenements in the Mt Isa region.

MT ISA METALS LIMITED

DIRECTOR'S REPORT

Significant activities which occurred subsequent to the half-year include:

- Priority drilling, by Legend, of the D-Tree deposit within tenement EPM 14753 completed with assay results consistent with historical drilling records, confirming the presence of a significant phosphate deposit.
- Assay results include 36 high grade intercepts (>25% P2O5) which have potential as direct shipping grade ore or material that may require minor dry beneficiation through crushing, screening or magnetic separation.
- An Australian JORC compliant Mineral Resource estimate for these drilling results to be completed, by Legend, by end of 1st Quarter 2009.

For the half-year ended 31 December 2008, the consolidated loss from ordinary activities for the Company after providing for income tax was \$875,788 (2007: \$212,226).

Auditors Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 5 for the half-year ended 31 December 2008.

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

Peter Spiers
Director

Brisbane
12 March 2009



12 March 2009

The Directors
Mt Isa Metals Limited
Level 5
60 Edward Street
Brisbane QLD 4000

Dear Directors

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Mt Isa Metals Limited for the half-year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Mt Isa Metals Limited.

Yours faithfully
BDO Kendalls (QLD)

Damian Wright
Partner

MT ISA METALS LIMITED
INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	31 December 2008 \$	31 December 2007 \$
Revenue		162,962	25,594
Employee benefits expense		(694,341)	(40,814)
Depreciation and amortisation expenses		(3,663)	(610)
Legal expenses		(38,747)	(16,568)
Interest expense		-	(871)
Administration and consulting expenses		(107,715)	(118,093)
Other expenses		(194,284)	(60,864)
		<hr/>	<hr/>
Profit/(Loss) before income tax		(875,788)	(212,226)
Income tax expense		-	-
		<hr/>	<hr/>
Net Profit/(Loss) attributable to members of the parent entity		(875,788)	(212,226)
		<hr/> <hr/>	<hr/> <hr/>
Basic earnings/(loss) per share (cents per share)		(0.92)	(0.34)
Diluted earnings/(loss) per share (cents per share)		(0.92)	(0.34)

The Income Statement should be read in conjunction with the notes to the financial statements.

MT ISA METALS LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	31 December 2008 \$	30 June 2008 \$
ASSETS			
Current Assets			
Cash and cash equivalents		6,176,783	592,429
Trade and other receivables		54,846	50,829
Other current assets		36,302	207,095
Total Current Assets		<u>6,267,931</u>	<u>850,353</u>
Non-Current Assets			
Plant and equipment		54,318	14,979
Other non-current assets		72,500	62,500
Exploration and evaluation expenditure		1,415,928	594,494
Total Non-Current Assets		<u>1,542,746</u>	<u>671,973</u>
TOTAL ASSETS		<u>7,810,677</u>	<u>1,522,325</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		525,240	211,402
Total Current Liabilities		<u>525,240</u>	<u>211,402</u>
TOTAL LIABILITIES		<u>525,240</u>	<u>211,402</u>
NET ASSETS		<u>7,285,437</u>	<u>1,310,924</u>
EQUITY			
Issued capital	3	7,945,117	1,637,916
Reserves		863,755	320,655
Accumulated losses		(1,523,435)	(647,647)
TOTAL EQUITY		<u>7,285,437</u>	<u>1,310,924</u>

The Balance Sheet should be read in conjunction with the notes to the financial statements.

MT ISA METALS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
At 1 July 2007	1,010,001	7,836	-	1,017,837
Shares issued during the year	129,687	-	-	129,687
Options issued during the year	-	-	41,747	41,747
Profit / (loss) for the year	-	(212,226)	-	(212,226)
Balance at 31 December 2007	<u>1,139,688</u>	<u>(204,390)</u>	<u>41,747</u>	<u>977,045</u>
At 1 July 2008	1,637,916	(647,647)	320,655	1,310,924
Issue of share capital	7,000,000	-	-	7,000,000
Share issue costs	(692,799)	-	-	(692,799)
Employee options	-	-	543,100	543,100
Profit/(loss) for the period	-	(875,788)	-	(875,788)
At 31 December 2008	<u>7,945,117</u>	<u>(1,523,435)</u>	<u>863,755</u>	<u>7,285,437</u>

The Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

MT ISA METALS LIMITED

STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	31 December 2008 \$	31 December 2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (including payments of Goods & Services Tax)		(637,143)	(190,629)
Interest paid		-	(4,279)
Interest received		162,962	25,594
Net cash provided by (used in) operating activities		<u>(474,181)</u>	<u>(169,314)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for security deposits		(14,340)	(5,000)
Payments for plant and equipment		(43,003)	(230,853)
Payments for exploration & evaluation		(437,662)	(12,134)
Net cash provided by (used in) investing activities		<u>(492,005)</u>	<u>(247,987)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		7,000,000	171,434
Payments for share issue expenses		(446,460)	-
Net cash provided by (used in) financing activities		<u>6,553,540</u>	<u>171,434</u>
NET INCREASE/(DECREASE) IN CASH HELD		5,584,354	(245,867)
Cash at 1 July		592,429	900,913
CASH AT 31 DECEMBER		<u>6,176,783</u>	<u>655,046</u>

The Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

MT ISA METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

1. BASIS OF PREPARATION

The half-year condensed financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this half-year report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Mt Isa Metals Limited and its controlled entities during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies have been consistently applied by the Company and are consistent with those applied in the 30 June 2008 annual report.

The half-year report does not include all notes of the type normally included in an annual financial report.

Going concern

The half-year report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the Company to continue to adopt the going concern assumption will depend upon a number of matters including the successful raising in the future of necessary funding or the successful exploration and subsequent exploitation of the Company's tenements.

Reporting basis and conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Comparatives

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

MT ISA METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	31 December 2008	31 December 2007
	\$	\$
2. LOSS AFTER INCOME TAX EXPENSE		

The following revenue and expense items are relevant in explaining the financial performance of the interim period:

Write off of capitalised exploration expenditure on areas of interest abandoned during the period	-	10,718
Depreciation	3,663	610
Auditors' remuneration	7,000	2,500

	2008 No.	2007 No.	2008 \$	2007 \$
3. ISSUED CAPITAL				
(a) Ordinary shares				
At 1 July	68,750,000	24,500,000	1,637,916	1,010,001
Shares issued during the year				
- 2 July 2007 (1)	-	489,810	-	129,687
- 13 August 2008 (2)	35,000,000	-	7,000,000	-
Share issue costs	-	-	(692,799)	-
At 31 December	<u>103,750,00</u>	<u>24,989,810</u>	<u>7,945,117</u>	<u>1,139,688</u>

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

(2) On 13 August 2008, 35,000,000 shares were issued pursuant to an Initial Public Offering.

(b) Options

During the half-year ended 31 December 2008, the Company issued the following options:

- 3,700,000 unlisted options exercisable at \$0.20 and expiring 20 August 2011, issued to the Managing Director, Peter Spiers
- 1,500,000 unlisted options exercisable at \$0.25 and expiring 20 August 2011, issued to the Non-Executive Directors
- 900,000 unlisted options exercisable at \$0.20 and expiring 31 May 2012, issued to the underwriter to the Initial Public Offering.

MT ISA METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

4. SEGMENT INFORMATION

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

5. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

6. EVENTS SUBSEQUENT TO REPORTING DATE

There have been no events since 31 December 2008 that impact upon the financial report as at 31 December 2008.

7. RELATED PARTY TRANSACTIONS

The Company has entered into a Services Agreement with D'Aguilar Gold Limited (D'Aguilar) dated 18 June 2008 under which D'Aguilar has agreed to provide certain corporate and administrative services to the Company. Nicholas Mather (a Director) is a director of D'Aguilar.

D'Aguilar is entitled to receive the aggregate of reimbursement of the direct expenses it incurs in providing the services to the Company plus a profit component of 10% of the same.

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

The Services Agreement commenced from the date of incorporation of the Company continues for a period of one year from the date the Company's Shares were first quoted on ASX (22 August 2008).

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

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

During the half-year the Company incurred expenses of \$92,085 from D'Aguilar, of which, \$17,898 was outstanding at 31 December 2008.

MT ISA METALS LIMITED
DECLARATION BY DIRECTORS

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 12:
 - (a) comply with Australian Equivalents to International Reporting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the Company's financial position as at 31 December 2008 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Peter Spiers
Director

Brisbane
12 March 2009



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MT ISA METALS LIMITED

Report on the Half-Year Interim Financial Report

We have reviewed the half-year financial report of Mt Isa Metals Limited, which comprises the balance sheet as at 31 December 2008, the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement or description of accounting policies, other selected explanatory notes and the directors' declaration of the company in order for the disclosing entity to lodge the half-year interim financial report with the Australian Securities and Investments Commission.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mt Isa Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MT ISA METALS LIMITED
CONTINUED**

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if provided to the directors as at the date of this review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year interim financial report of Mt Isa Metals Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As set out in Note 1, the financial statements have been prepared on a going concern basis. The ability of the company to continue to adopt the going concern basis of accounting, to maintain continuity of normal business activities, and to pay its debts as and when they fall due is dependent upon the continued ability of the company to raise capital, and or successfully explore and subsequently exploit the company's exploration tenements.

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

BDO Kendalls (QLD)

D P Wright
Partner

Brisbane
12 March 2009