

# Quarterly Activities Report

March 2009



Flooding in Mt Isa – Leichardt River (30 Jan. 2009).

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## Highlights

### Corporate

- Joint Venture established with Legend International Holdings Inc. over the D-Tree phosphate deposit (MET 20%, Legend 80%) – *subsequent to end of the quarter.*
- Cash balance \$5.7 million as at 31<sup>st</sup> March 2009.

### Exploration

- Prolonged wet season rains prevented all field access until late March 2009.
- Assay results received from D-Tree drilling confirm the presence of a significant phosphate deposit.
- D-Tree results include high grade drill intercepts (>25% P<sub>2</sub>O<sub>5</sub>) in the D-Tree North area which represent potential DSO (direct shipment ore).
- Ground TEM survey completed at Barbara Prospect (MET 49%) testing for high grade copper.
- \$150,000 of funding secured from the Queensland DME under the Collaborative Drilling Initiative (Round 3) to go towards the cost of two diamond drill holes at the Gregory Project.
- Commitment to diamond drilling at the Gregory Project during Q2/Q3 2009 (Augustus #1 and Augustus #2 IOCG targets).

## Project Areas

The location of the Company's exploration project areas is shown below:

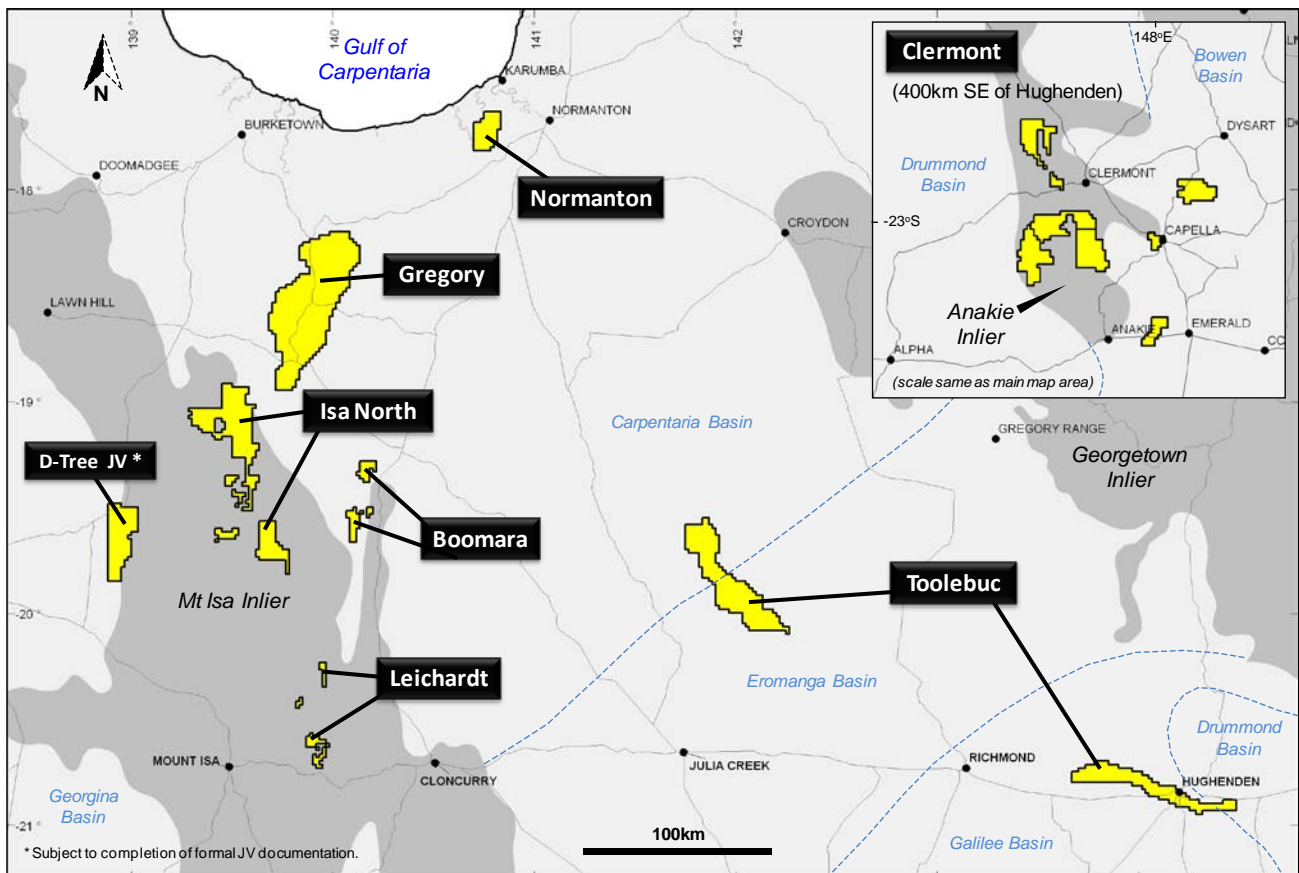


Figure 1 - Location of project areas (excludes competitive tenement applications).

## Exploration

### Introduction

Prolonged wet season rains were experienced across North Queensland during the quarter and severely restricted exploration field work.

Access was possible to tenement areas close to Mt Isa from late March. Tenement areas further to the north including the Gregory and Normanton Projects remained inaccessible at the end of the quarter.

### Gregory Project (MET 100%)

During the quarter MET was advised that it was successful in securing a grant of \$150,000 from the Queensland Department of Mines and Energy under Round 3 of the Collaborative Drilling Initiative.

The CDI funding will go towards meeting 50% of the cost of two deep diamond drill holes within MET's 100% owned Gregory Project area. The Gregory Project is targeting Olympic Dam-style iron-oxide copper-gold (IOCG) deposits in projected covered extensions to the highly mineralised Mt Isa - Gunpowder Fault system.

Planning was advanced for the commencement of an initial two hole drilling program within the Gregory Project during Q2/Q3 2009. The program will test the Augustus #1 and Augustus #2 anomalies identified by MET during its 2008 gravity survey.

The Augustus #1 and #2 targets are large-scale gravity anomalies that each extend over a strike length of approximately 10 kilometres and exhibit a variable magnetic response (refer figure 2).

The Gregory Project comprises a large tenement area of approximately 2,000km<sup>2</sup> that has received virtually no prior exploration of the prospective Proterozoic-age basement rocks. Historical records report only one drill hole to basement within the entire project area.

In addition to the immediate drill program, the Company has scheduled the recommencement of geophysical surveys over the balance of the Gregory area during the second quarter of 2009. These surveys will include:

- detailed IP, gravity and magnetic surveys over Augustus #1 and #2 targets (drill hole targeting)
- completion of the regional gravity survey (~50% of the Gregory Project area remains outstanding)

Areas to be covered by the balance of the regional gravity survey, which were previously inaccessible due to awaited tenement grants, include more than 80km of strike length of untested magnetic and structural targets.

The gravity survey will also include assessment of **high priority structural targets** at the southern end of the Gregory Project area which are interpreted to lie along the direct northern extension of the regionally mineralised Gunpowder Fault system (figure 2).

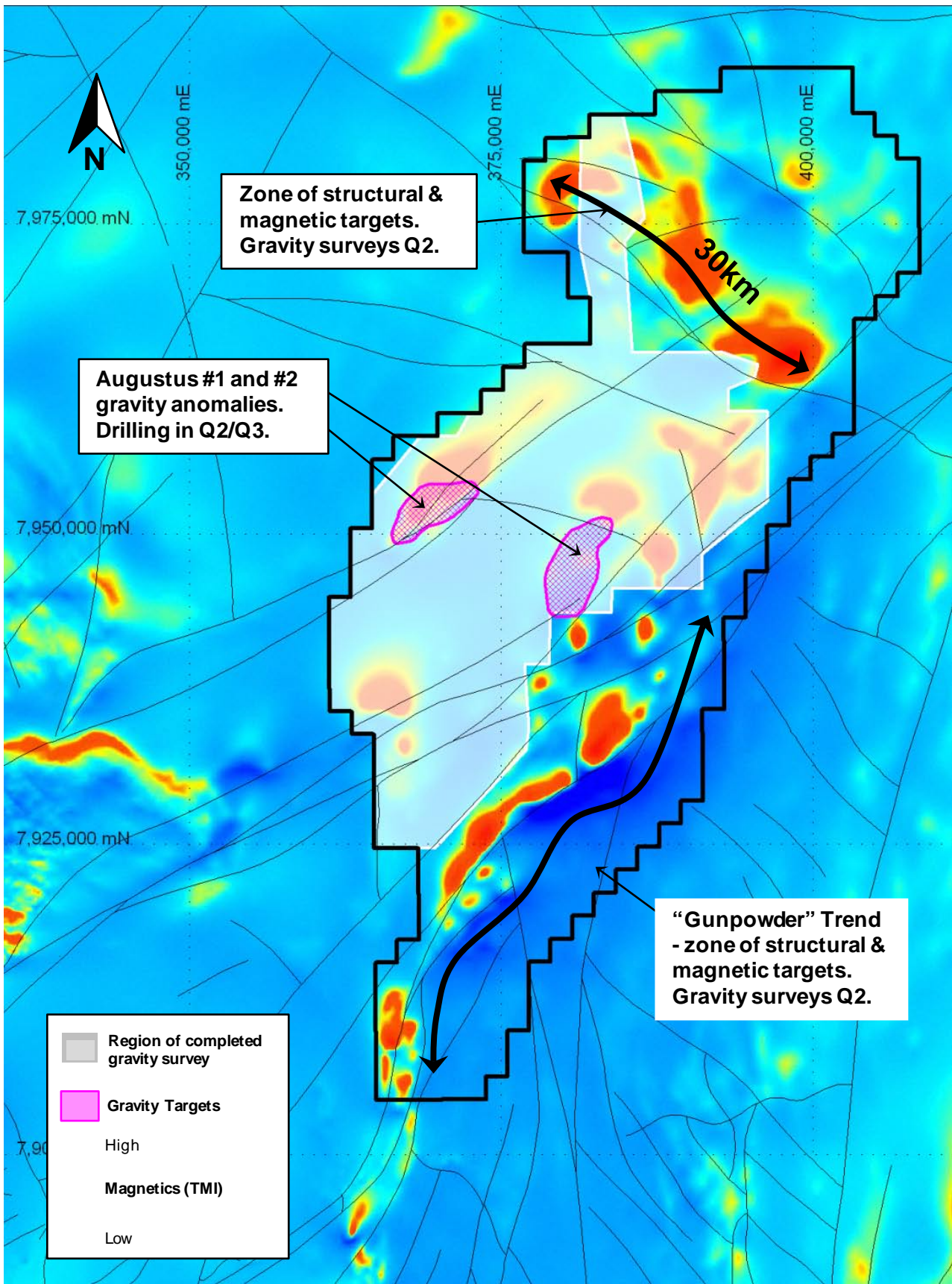


Figure 2 - Magnetic survey image (TMI) of the Gregory Project area showing area covered to date by the regional gravity survey, gravity drill targets and untested magnetic-structural targets.

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

Subsequent to the end of the quarter MET announced that it has executed formal documentation with Legend International Holdings, Inc. (Legend) in relation to the Joint Venture over each party's respective interest in tenements overlying the D-Tree phosphate deposit.

The JV tenements (including applications) cover a total area of 492km<sup>2</sup> and include an estimated 100 km<sup>2</sup> of mineralised phosphorite horizon that has been defined by historical drilling (figure 3).

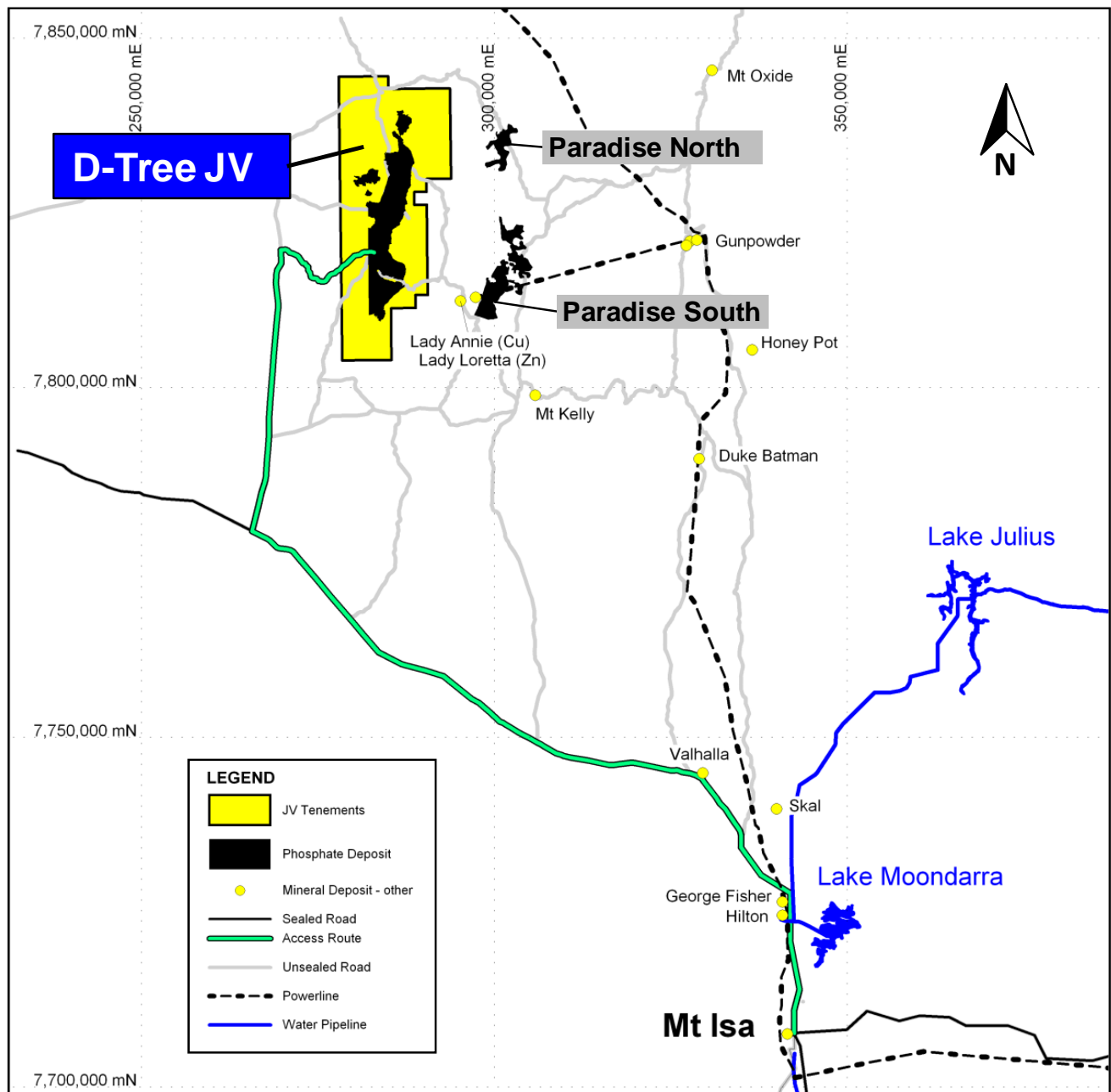


Figure 3 - Location diagram – D-Tree deposit and proposed joint venture tenements.

## **D-Tree JV continued ...**

The joint venture consolidates ownership over 100% of the D-Tree deposit and is a significant positive step towards near-term mine development.

Under the JV, Legend will contribute EPM 14753, EPMA's 17333, 17437, 17443 and 17446, and, MET will contribute EPM 15763 (D-Tree West).

Legend will manage the Joint Venture and holds an 80% interest. MET holds a 20% contributing interest in the Joint Venture. Significantly, the Joint Venture will also have the opportunity to access plant and infrastructure at Legend's 100%-owned proposed Paradise phosphate development which lies 15km to the east of D-Tree.

The arrangements entered into with Legend also include a separate Marketing Agreement whereby Legend will act as Agent for the sale of all MET product derived from the JV tenements.

Subsequent to the end of the quarter MET was also pleased to announce that a joint Mining Lease Application (MLA 90190) had been submitted by the JV participants to the Queensland Department of Mines and Energy over the D-Tree North area (refer figures 4 and 5).

D-Tree North comprises an area of higher grade phosphate mineralisation defined by the 2008 drilling program which is considered highly prospective as potential direct shipment ore (DSO) operation.

A North-South cross section through the centre of MLA 90190 based on the broad spaced 2008 drilling program (300m centres) is included at figure 6 which shows:

- multiple wide mineralised horizons
- near surface phosphate intersections (potential low strip ratios)
- a significant number of high grade (+20% P<sub>2</sub>O<sub>5</sub>) intersections (potential DSO)

Resource estimation from the recently announced results of the 2008 drilling program throughout EPM 14753 is continuing.

Late in the quarter, definition drilling resumed at D-Tree North within and adjacent to MLA 90190. The drilling, on a maximum 100m x 100m grid, is aimed at defining JORC compliant Mineral Resources and Ore Reserves.

Drilling within MLA 90190 is anticipated to be completed by the end of April with assay results thereafter.

Subject to conclusion of a positive Feasibility Study, the JV participants are targeting development of an 0.5Mtpa open pit mine producing direct shipment ore from the D-Tree North Project area.

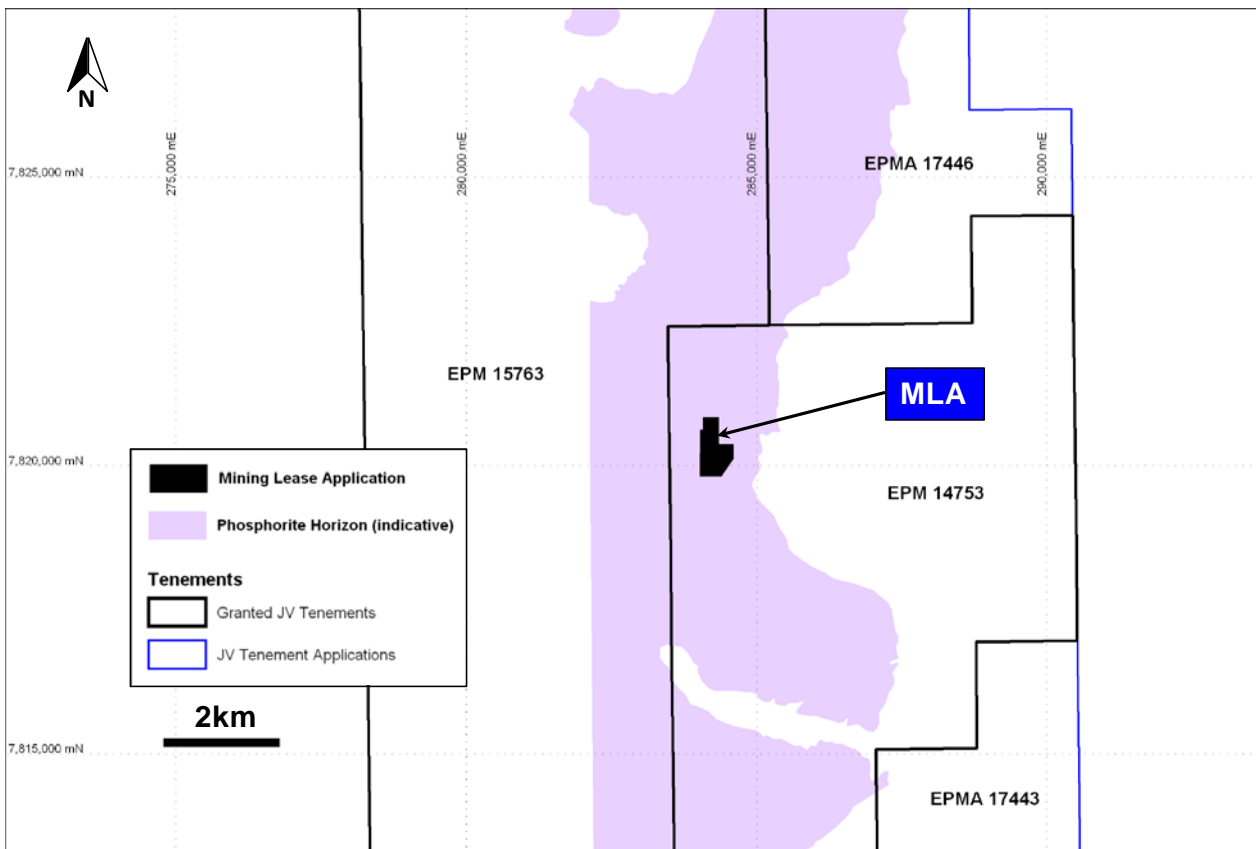


Figure 4 – Location diagram for MLA 90190 (D-Tree North).

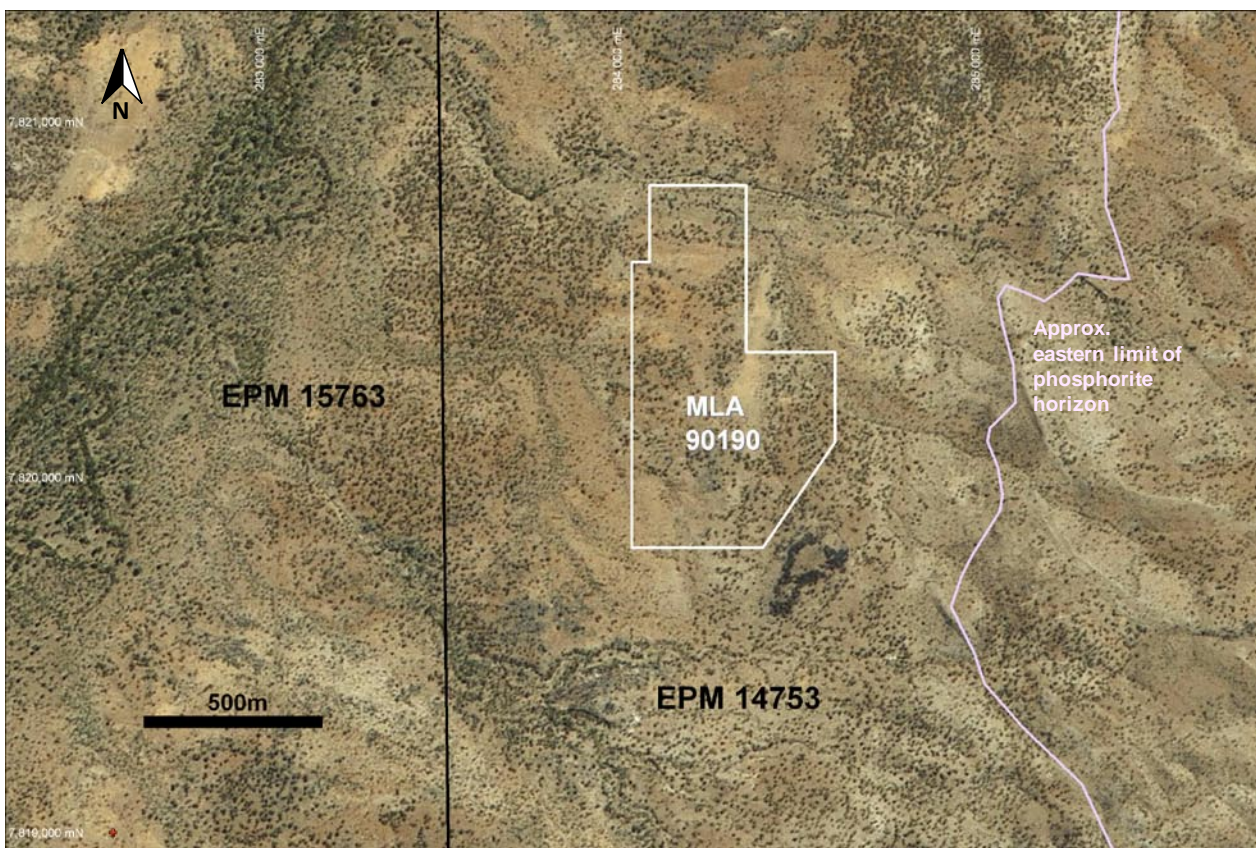


Figure 5 – Detailed location for MLA 90190 (D-Tree North).

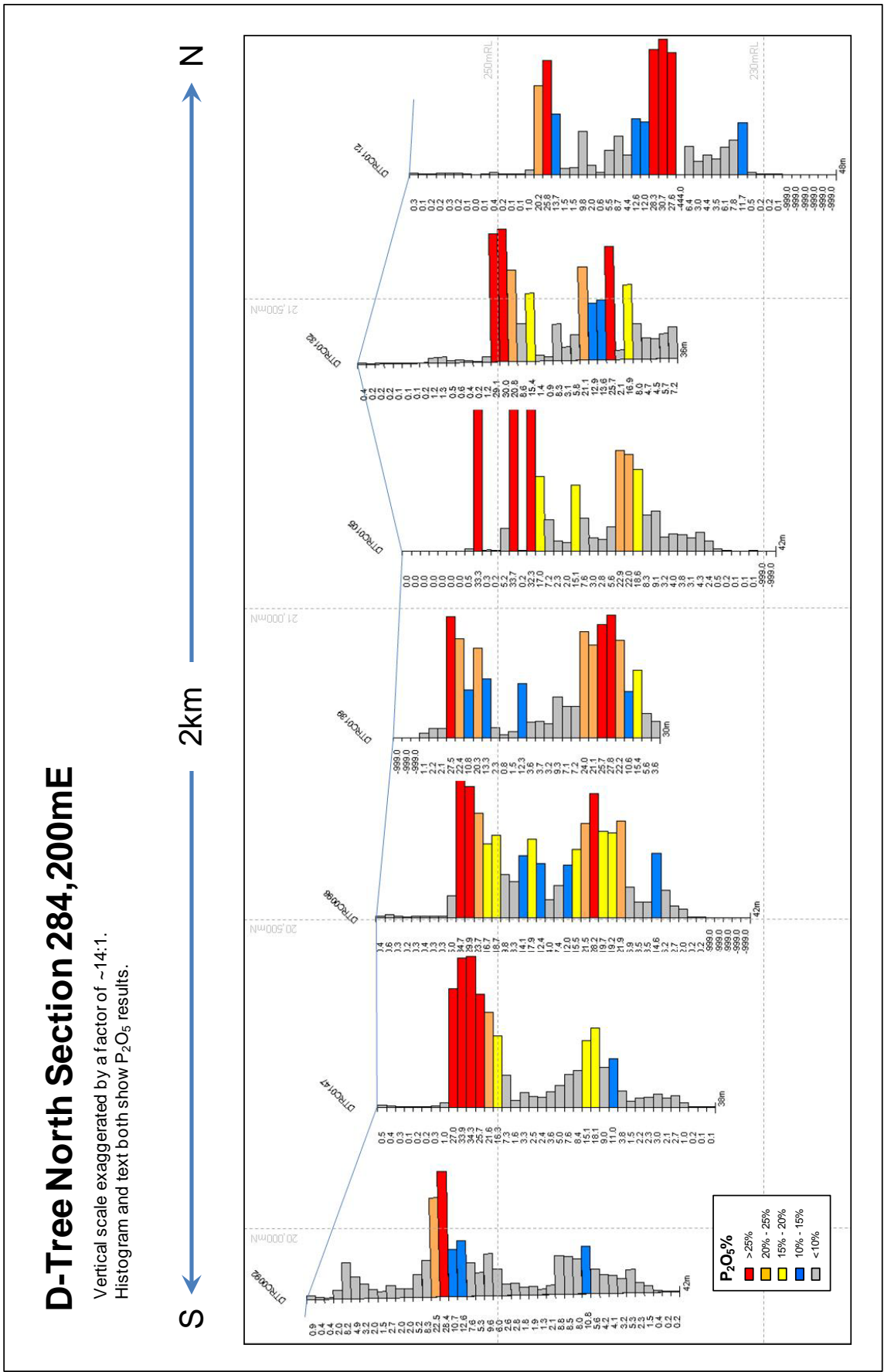


Figure 6 – D-Tree North Cross Section 284,200mE.

## **Leichardt Project (MET% various)**

### **West Leichardt JV (MET 49%)**

During the quarter the Joint Venture manager (Syndicated Metals Ltd) advanced exploration activities within the West Leichardt JV tenements focussed on the Barbara Prospect (EPM 16112 – MET 49%).

Work completed at Barbara included:

- completion of Native Title clearances
- preliminary surface mapping of the Barbara shear zone
- a fixed loop transient electromagnetic geophysical survey

The Fixed Loop Transient Electromagnetic (TEM) Survey was completed over a 1km strike length of the Barbara mineralised zone within EPM 16112. The survey comprised 17 lines spaced 100m apart with approximately 590 station points (50m spacing on individual lines) (figure 7).

The TEM survey was designed to test for near surface accumulations of high grade copper. When interpreted, the results of the EM survey will be incorporated with current drilling and geological data sets to plan a drilling program expected to commence during the second quarter of 2009 which will include:

- shallow RC drilling of near surface copper workings in the Barbara North area
- deeper diamond drilling to test for down dip extensions to sulphide copper mineralisation previously identified by Syndicated Metals adjacent to EPM16112

A schematic long section of the Barbara Lode and proposed drill holes is shown at figure 8.

### **Cleanskin Prospect (MET 100%)**

Reconnaissance field work was commenced at the Cleanskin Prospect (EPM 15760) late in the quarter. The prospect is defined by two 10km long radiometric anomalies suggesting potential for shear-hosted uranium mineralisation.

Field work completed included an initial scintillometer traverse across the anomalies which recorded counts of up to 1000 cps in granite.

Given the rugged terrain, further helicopter supported scintillometer surveys, geological mapping and stream sediment surveys have been scheduled to commence in Q2 2009.

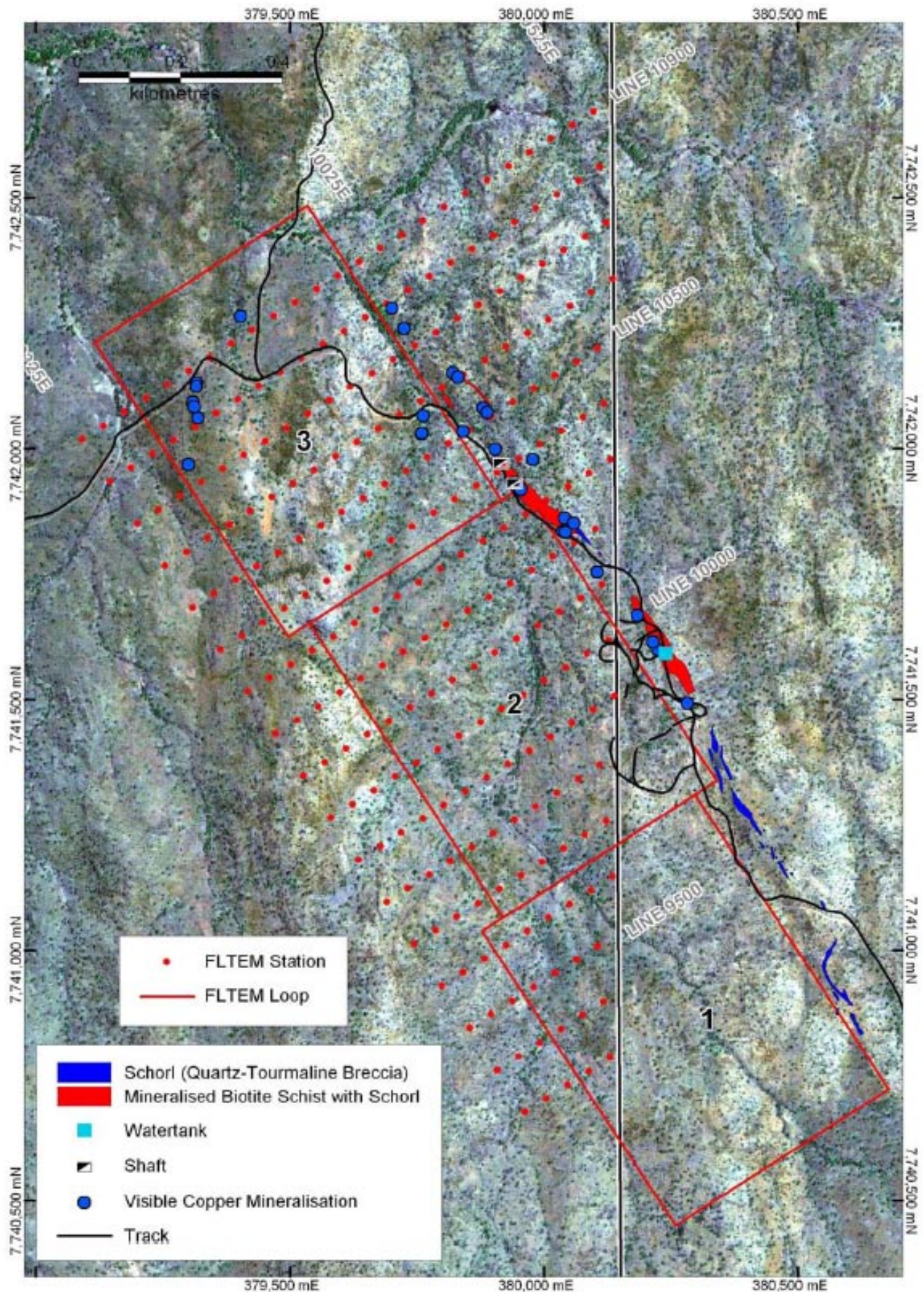


Figure 7: Plan view of Barbara shear zone showing location of TEM survey.

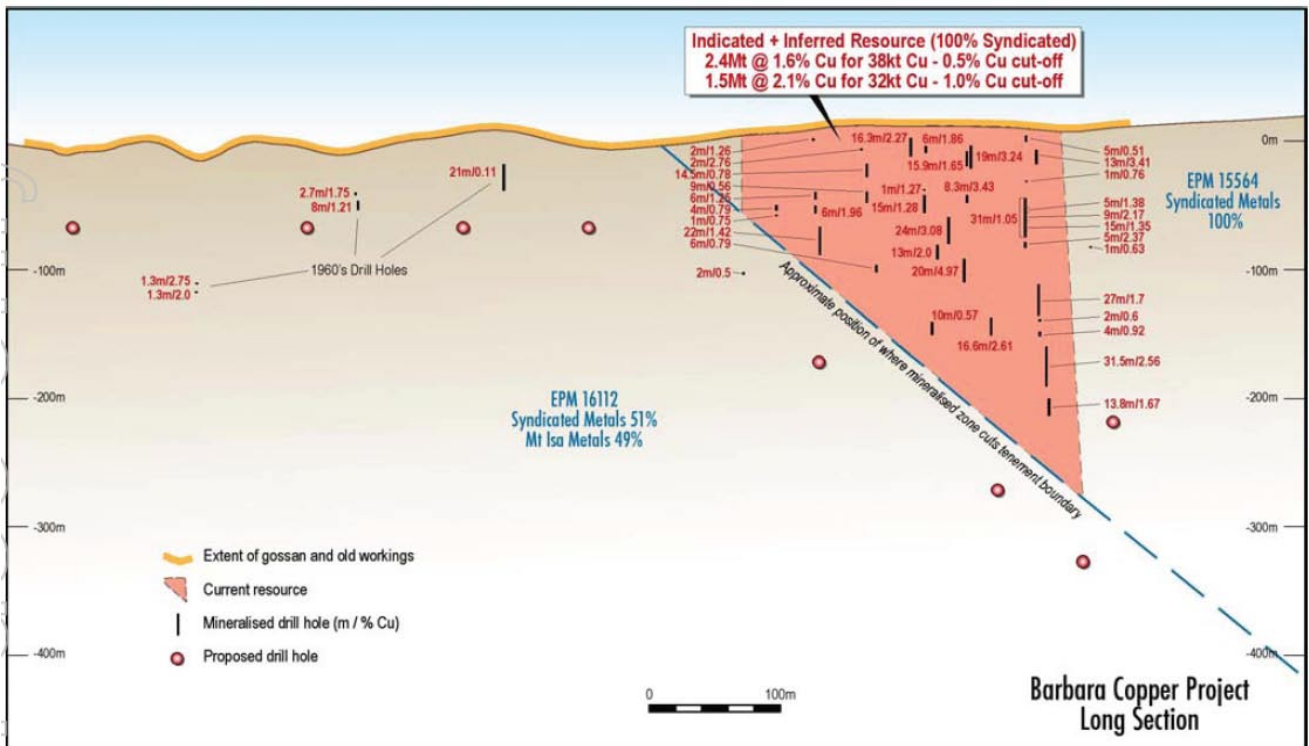


Figure 8: Schematic Barbara Long Section showing proposed drill hole locations

## Other Project Areas (MET 100%)

Reconnaissance field work was undertaken in the Isa North Project areas in order to define appropriate exploration programs.

Compilation and review of historical exploration data was further advanced over the Isa North and Clermont Project areas.

During the quarter one additional tenement grant was received from the Queensland Department of Mines and Energy within the Isa North Project area (EPM 16498 – Johnnies):

Project	Tenement grants	Focus
Isa North	EPM 16498 (Johnnies)	Cu, Pb-Zn, Au

Table 1: Summary of March 09 quarter tenement grants – Other Project areas.

## Corporate

### Cash Reserves

Cash reserves and liquid investments totalled approximately \$5.7 million at the end of the quarter.

The Company will continue to focus exploration efforts on highest priority projects, maintain an ongoing review the tenement portfolio for opportunities to divest/relinquish lower priority areas, and minimise all discretionary cash expenditures.

### Capital Structure (at 31 March 2009)

Share price (MET): \$0.12  
 Issued shares: 103.75m (53.13m under escrow)  
 Unlisted options: 11.90m

Market Cap.: \$12.5 million (at 31 March 2009)

### Major Shareholders

Shareholder	Shares Held	%
D'Aguilar Gold Ltd	50,000,000	48.2%
UBS Wealth Management Australia Nominees Pty Ltd	19,905,180	19.2%
Other (all <2% issued capital)	33,844,820	32.6%
<b>Total</b>	<b>103,750,000</b>	<b>100.0%</b>

Table 2: Summary of major shareholders at 31 March 2009.

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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)

#### 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.