

***METALS AUSTRALIA LTD
AND CONTROLLED ENTITIES***

(ACN 008 982 474)

***Interim Financial Report
for the Six Month Period Ended
31 December 2015***

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DIRECTORS' REPORT

Your Directors present their report on consolidated group of Metals Australia Ltd and controlled entities (the "Group") for the half year ended 31 December 2015.

1. DIRECTORS

The names of Directors in office during the half year and up to the date of this report:

Hersh Solomon Majteles
Michael Scivolo
Robert Collins

2. REVIEW OF OPERATIONS

BASE METAL PROJECTS, WESTERN AUSTRALIA

Metals Australia holds an interest in two base metals projects in Western Australia (Figure 1).

The Manindi zinc-copper project is located around 500 km northeast of Perth, and is being explored by Metals with a view to expanding the existing resources and examining the project's 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 Project is a significant unmined zinc deposit located in the Murchison District of Western Australia, 20 km southwest of the Youanmi gold mine. The project is located on three granted mining licences.

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

WORK COMPLETED

Geological and economic assessment of the Manindi project continued during the half.

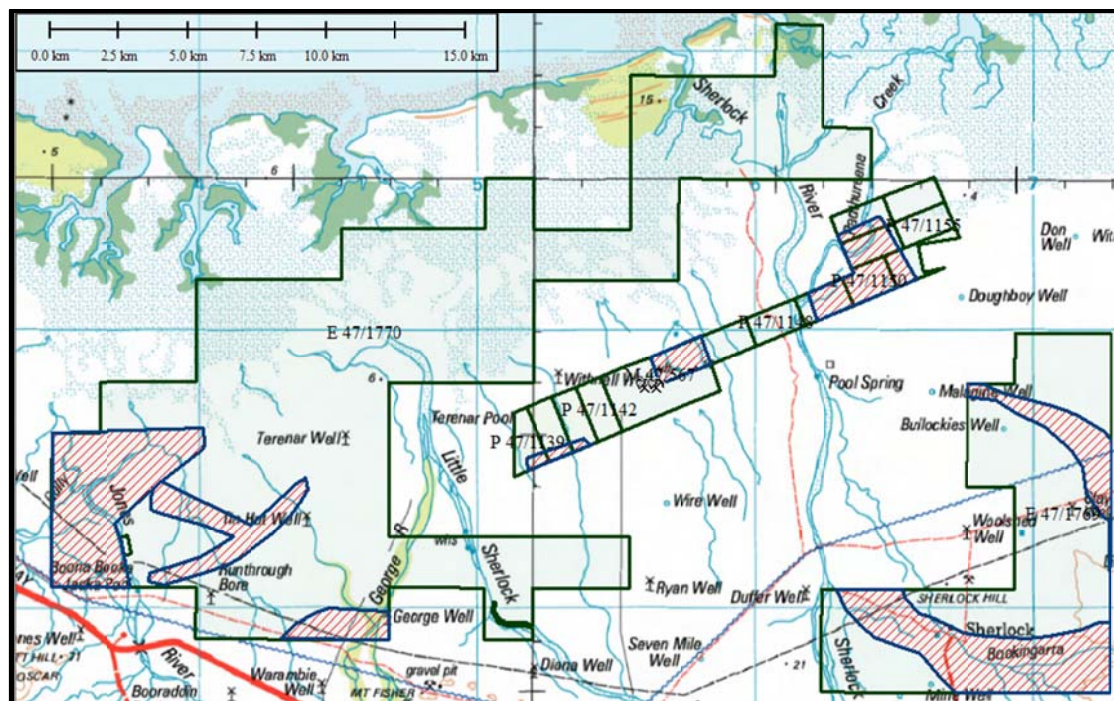
SHERLOCK BAY EXTENDED BASE METAL PROJECT

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



Figure 1 – Location of the Western Australian base metals projects.

No onsite activity took place on the Sherlock Bay Nickel or Sherlock Extended projects during the half.



URANIUM EXPLORATION NAMIBIA

MINERAL AND EXPLORATION LICENCES

Country	State/ Region	Project	Tenement ID	Area km ²	Grant Date	Expiry Date	Interest %	Company
Namibia		Mile 72	EPL 3308	73	19/05/2005	17/5/2015	100	Metals Namibia (Pty) Ltd
Australia	WA	Manindi	M57/227	4.64	3/09/1992	2/09/2034	80	Karrilea Holdings Pty Ltd
			M57/240	3.15	10/11/1993	9/11/2035	80	
			M57/533	8.01	17/01/2008	16/01/2029	80	
Australia	WA	Sherlock Bay	E47/1769	76.7	7/09/2009	Pending	30	Metals Australia Ltd
			E47/1770	223	7/09/2009	Pending	30	

The Namibian government has released for comment a draft New Equitable Economic Empowerment Framework (NEEEF) discussion paper seeking to give Namibian citizens greater opportunities to participate in the economic development of their country. This paper is open for public comment until 29 April, after which time any comments received will be analysed and may be included in any legislation subsequently presented to parliament.

It is not clear at this stage what the final form of the legislation, if enacted, may take and it may have implications for our future activities in Namibia.

For further information please contact:

Luke Marshall

+61 8 9481 7833

Or consult our website:

www.metalsaustralia.com.au

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 Mr Luke Marshall, who is a full time employee of Golden Deeps Limited, a consultant to Metals Australia Ltd, and a member of The Australasian Institute of Geoscientists. Mr Marshall 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". Mr Marshall consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

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.

3. FINANCIAL RESULT

The Group incurred a loss after income tax of \$148,338 for the half year period (2014: \$233,803). As at 31 December 2015 the Group had cash funds of \$50,122 (30 June 2015: \$78,724).

4. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

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



Michael Scivolo
Director

Perth, 15 March 2016

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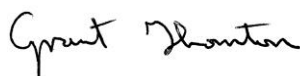
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**Auditor's Independence Declaration
To The Directors of Metals Australia Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Metals Australia Limited for the half-year ended 31 December 2015, 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P W Warr
Partner - Audit & Assurance

Perth, 15 March 2016

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED
31 DECEMBER 2015**

	Consolidated	
	Half year 2015 \$	Half year 2014 \$
Revenue		
Interest earned	107	3,629
Gain on sale of assets	-	9,331
	<u>107</u>	<u>12,960</u>
Expenditure		
Change in fair value of investments	19,666	(24,663)
Depreciation	55	2,698
Exploration expenditure	15,130	7,451
Key management personnel remuneration	32,217	43,126
Management fees	-	130,763
Occupancy costs	-	64,826
Reversal of VAT impairment	-	(49,542)
Other expenses	96,377	72,104
	<u>163,445</u>	<u>246,763</u>
(Loss) before income tax	(163,338)	(233,803)
Income tax benefit	-	-
(Loss) for the half year	(163,338)	(233,803)
Other Comprehensive Income, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign controlled entities	(233,766)	(66,351)
Total comprehensive (loss) for the half year	<u>(397,104)</u>	<u>(300,154)</u>

Basic and diluted profit/(loss) per share (0.02) cents per share (0.03) cents per share

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT
31 DECEMBER 2015

	Consolidated	
	31 December 2015 \$	30 June 2015 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	50,122	78,724
Trade and other receivables	52,155	66,282
Financial assets	47,335	67,002
TOTAL CURRENT ASSETS	149,612	212,008
NON CURRENT ASSETS		
Plant and equipment	201	303
Exploration and evaluation expenditure	5,781,029	5,951,296
TOTAL NON-CURRENT ASSETS	5,781,230	5,951,599
TOTAL ASSETS	5,930,842	6,163,607
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	42,142	44,313
TOTAL CURRENT LIABILITIES	42,142	44,313
NON CURRENT LIABILITIES		
Trade and other payables	402,996	350,283
Loan	100,000	-
TOTAL NON CURRENT LIABILITIES	502,996	350,283
TOTAL LIABILITIES	545,138	394,596
NET ASSETS	5,385,704	5,769,011
EQUITY		
Issued capital	25,187,316	25,187,316
Share option reserve	612,000	612,000
Foreign currency translation reserve	(57,080)	162,889
Accumulated losses	(20,356,532)	(20,193,194)
TOTAL EQUITY	5,385,704	5,769,011

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED
31 DECEMBER 2015**

	Issued Capital	Share Option Reserve	Foreign Currency Translation Reserve	(Accumulated Losses)	Total
	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2014	25,187,316	612,000	82,134	(19,578,909)	6,302,541
(Loss) attributable to the members of the parent entity	-	-	-	(233,803)	(233,803)
Total other comprehensive income/(loss) for the period	-	-	66,351	-	66,351
BALANCE AT 31 DECEMBER 2014	25,187,316	612,000	148,485	(19,812,712)	6,135,089
	Issued Capital	Share Option Reserve	Foreign Currency Translation Reserve	(Accumulated Losses)	Total
	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2015	25,187,316	612,000	162,889	(20,193,194)	5,769,011
(Loss) attributable to the members of the parent entity	-	-	-	(163,338)	(163,338)
Total other comprehensive income/(loss) for the period	-	-	(219,969)	-	(219,969)
BALANCE AT 31 DECEMBER 2015	25,187,316	612,000	(57,080)	(20,356,532)	5,385,704

The accompanying notes form part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED
31 DECEMBER 2015**

	Consolidated Half year 2015 \$	Consolidated Half year 2014 \$
Cash Flows from Operating Activities		
Payments to suppliers and employees	(59,990)	(204,587)
Interest received	107	7,860
<i>Net cash (used in) operating activities</i>	<u>(59,883)</u>	<u>(196,727)</u>
Cash Flows From Investing Activities		
Payment for exploration expenditure	(66,178)	(180,398)
Proceeds on sale of assets	-	9,331
<i>Net cash (used in) investing activities</i>	<u>(66,178)</u>	<u>(171,067)</u>
Cash Flows from Financing Activities		
Shares issued	-	-
Options exercised	-	-
Options issued	-	-
Proceeds from loans received	100,000	-
<i>Net cash provided by financing activities</i>	<u>100, 000</u>	<u>-</u>
Net (decrease) in Cash and Cash Equivalents	(26,061)	(367,794)
Cash and Cash Equivalents at the Beginning of the Half Year	78,724	593,641
Effect of exchange rates on cash holdings in foreign currencies	(2,541)	(372)
Cash and Cash Equivalents at the End of Half Year	<u><u>50,122</u></u>	<u><u>225,475</u></u>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED
31 DECEMBER 2015**

1. BASIS OF PREPARATION OF HALF YEAR REPORT

Metals Australia Ltd is a company domiciled in Australia.

This general purpose financial report for the interim half year reporting period ended 31 December 2015 has been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134 *Interim Financial Reporting*. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Metals Australia Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2015 together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

The interim financial statements have been approved and authorised for issue by the Board of Directors.

Adoption of new and revised accounting standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australia Accounting Standards Board (AASB) that are relevant to its operations and effective for the current half year reporting period. These include:

- Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part C: Financial Instruments)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments)
- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
- AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent

The adoption of all of the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has had no effect on the amounts reporting for the current or prior periods.

Going concern

The financial report has been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. During the period, the Group has reported a net loss of

\$163,338(2014: \$233,803) and a net cash outflow from operating activities of \$59,883 (2014: \$196,727)

The Directors will continue to monitor the capital requirements of the Group and this includes additional capital raisings in future periods as required.

In addition to planned capital raisings, the following initiatives are in place:

- A shareholder of the Company has agreed to provide cash advances to the Company until a capital raising has been completed.
- The Company's largest creditors has deferred settlement of all outstanding invoices at balance date for a period of 12 months, and has agreed to defer settlement of all current invoices until the company has sufficient available cash resources.
- The management fee payable to Kalgoorlie Mine Management Pty Ltd has been waived for the period 1 July 2015 – 31st December 2015

The Directors recognise that the above represents a material uncertainty as to the Group's ability to continue as a going concern, however, they are confident that the Group will be able to continue its operations into the foreseeable future.

Should the Group be unable to obtain the funding as described above, there is a materiality uncertainty as to whether the Group will be able to continue as a going concern, and therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report. The financial report does not include any adjustment relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

2. DIVIDENDS

No dividends have been paid or proposed during the six month period ended 31 December 2015.

3. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company, except for the following:

The Namibian government has released for comment a draft New Equitable Economic Empowerment Framework (NEEEF) discussion paper seeking to give Namibian citizens greater opportunities to participate in the economic development of their country. This paper is open for public comment until 29 April, after which time any comments received will be analysed and may be included in any legislation subsequently presented to parliament.

It is not clear at this stage what the final form of the legislation, if enacted, may take and it may have implications for our future activities in Namibia.

4. CAPITAL AND LEASING COMMITMENTS AND CONTINGENCIES

There has been no material change in contingent liabilities and commitments since the end of the last annual reporting period.

5. FINANCIAL ASSETS

	December 2015	June 2015
Investment in listed shares	\$47,335	\$67,002

These shares are classified as financial assets at fair value through profit and loss. Changes in fair value are included in the Statement of Profit or Loss and Other Comprehensive Income.

6. 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 two reportable segments are as follows:

- (i) Western Australian Projects
- (ii) Namibian 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.

Segment Performance - December 2015

	Western Australian Base Metal Projects \$	Namibian Uranium Projects \$	Total \$
Revenue from external sources			
Unallocated – interest revenue	-	-	107
Gain on sale of assets		-	-
Total Group revenue		-	107
Segment profit/(loss)	-	(25,412)	(25,412)
Unallocated items - corporate charges & write backs			(137,926)
Total Group profit/(loss)			(163,338)
Segment assets	3,178,263	2,617,766	5,796,029
Unallocated - cash, receivables, plant & equipment			149,813
Total Group assets			5,945,842
Segment liabilities	-	-	-
Unallocated – corporate trade payables			545,139
Total Group liabilities			545,139

Segment Performance - December 2014

	Western Australian Base Metal Projects \$	Namibian Uranium Projects \$	Total \$
Revenue from external sources	-	-	-
Unallocated – interest revenue		-	3,629
Gain on sale of assets		9,331	9,331
Total Group revenue		9,331	12,960
Segment profit/(loss)	-	35,805	35,805
Unallocated items - corporate charges & write backs			(269,608)
Total Group profit/(loss)			(233,803)
Segment assets	3,106,165	2,791,100	5,897,265
Unallocated - cash, receivables, plant & equipment			377,146
Total Group assets			6,274,410
Segment liabilities			
Unallocated – corporate trade payables	-	-	-
Total Group liabilities			139,321
			139,321

7. ISSUED CAPITAL

Date	Details	Number of Shares	Amount
			\$
1 July 2015	Balance	819,951,110	25,187,316
31 December 2015	Balance	819,951,110	25,187,316

The Company's capital consists of Ordinary Shares. The Company do 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.

8. SHARE OPTION RESERVE

Date	Details	Number of Options	Amount
			\$
1 July 2015	Balance	50,000,000	612,000
31 December 2015	Balance	50,000,000	612,000

The weighted average remaining contractual life of options outstanding at year end was 0.67 years.

The exercise price of outstanding options at the end of the reporting period was 2 cents.

9. RELATED PARTY TRANSACTIONS

The Group's related parties include its subsidiaries, key management personnel 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	Half Year Ended 31 December 2015	Half Year Ended 31 December 2014
			\$	\$
Karrilea Holdings Pty Ltd	Subsidiary	Exploration assets	51,178	79,189
Metals Namibia (Pty) Ltd	Subsidiary	Exploration assets	15,000	37,000
Karrilea Holdings Pty Ltd	Subsidiary	Provisions	(51,178)	(79,189)
Metals Namibia (Pty) Ltd	Subsidiary	Provisions	(15,000)	(37,000)
Sabre Resources Ltd	Common directorship	Employee costs	-	13,103
Golden Deeps Limited	Common directorship	Employee costs	-	3,474

DIRECTORS' DECLARATION

In the opinion of the Directors of Metals Australia Ltd:

- (a) the consolidated financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standard, AASB 134: Interim Financial Reporting; and
 - (ii) giving a true and fair view of its financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.



Michael Scivolo
Director

Perth, dated this fifteenth day of March 2016

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

We have reviewed the accompanying half-year financial report of Metals Australia Ltd ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Metals Australia Ltd are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report 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 half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Metals Australia Ltd consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Metals Australia Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year 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.

Independence

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

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 financial report of Metals Australia Ltd is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 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 review opinion expressed above, we draw attention to Note 1 to the financial report, which indicates that the consolidated entity incurred a net loss of \$163,338 and net cash outflows from operating activities of \$59,833 during the half year ended 31 December 2015. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



P W Warr
Partner - Audit & Assurance

Perth, 15 March 2016