MT ISA METALS 2010 ANNUAL REPORT
2010 ANNUAL REPORT MT ISA METALS
MT ISA METALS ANNUAL REPORT 2010

Mt Isa **Metals**

Contents

Competent Persons Statement

The information in this report that relates to Exploration Results and Mineral Resources 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.

Corporate Information

DIRECTORS
John Bovard
Peter Spiers
Nicholas Mather
Michele Muscillo

COMPANY SECRETARY
Duncan Cornish

REGISTERED OFFICE AND PRINCIPAL BUSINESS OFFICE
Level 5, 60 Edward Street
Brisbane QLD 4000
Phone: + 61 7 3303 0624
Fax: +61 7 3303 0681

COUNTRY OF INCORPORATION
Australia

SOLICITORS
HopgoodGanim Lawyers
Level 8, Waterfront Place
1 Eagle Street
Brisbane QLD 4000
Phone: + 61 7 3024 0000
Fax: +61 7 3024 0300

SHARE REGISTRY
Link Market Services Limited
Level 15
324 Queen Street
Brisbane QLD 4000
Phone: 1300 554 474
Fax: +61 2 9287 0303

AUDITORS
BDO Audit (QLD) Pty Ltd
Level 18, 300 Queen Street
Brisbane QLD 4000
Phone: +61 7 3237 5999
Fax: +61 7 3221 9227

STOCK EXCHANGE LISTING
Australian Securities Exchange Ltd
ASX Code: MET

INTERNET ADDRESS
www.mtisametals.com.au

AUSTRALIAN BUSINESS NUMBER
ABN 59 120 212 017

Chairman's Letter to Shareholders

Dear Shareholders,

On behalf of the Board of Mt Isa Metals Limited, it is my pleasure to report on the substantial progress made by the Company since the date of our last Annual Report.

The most significant development for the Company during the year was the decision to significantly expand our exposure to gold exploration and, following this, the acquisition of a portfolio of highly prospective gold exploration projects in Burkina Faso, West Africa.

In late 2009, the Company completed a review of global gold investment opportunities and, in keeping with a strategy of exploring in world-class mineral provinces, elected to commence exploration for gold in West Africa.

West Africa is a world class gold province with more than 50 large gold deposits discovered across the region to date. The Board believes that West Africa is highly prospective for future gold discoveries. The region has not been the subject of intense past exploration, has excellent land access, and applicable exploration techniques are similar to those commonly applied across many parts of inland Australia.

During the year the Company moved quickly to secure a valuable tenement position in the West African nation of Burkina Faso. It now holds (under option agreements) more ground in that country than any other company listed on the ASX.

Exploration formally commenced in Burkina Faso in June 2010 and initial sampling has been very encouraging with high grade gold assays (>10g/t gold) recorded from eight separate prospect areas to date.

The Company has scheduled an aggressive exploration program and plans to commit A$3.6 million to gold exploration in Burkina Faso by June 2011. This exploration will include significant drilling programs on identified high grade gold prospects.

The Company also continued to advance exploration on its projects in the Mount Isa region during the year.
Successes included the intersection of substantial widths of the target iron-oxide alteration from initial drilling of the Gregory Iron Oxide Copper Gold Project. The drilling also intersected low grade (<0.2%Cu) copper values confirming the project area as a "live" copper system.

A maiden mineral resource was defined for the Barbara Copper Project – North Lode deposit (MET 49%). The Barbara North Lode deposit is a near-surface sulphide copper deposit that the Company considers has potential for near-term open pit development.

The Company reduced its overall tenement position in north-west Queensland during the year but has consolidated and seeks to further expand its tenement position in the immediate Mount Isa region.

Looking ahead the Company will continue to commit exploration expenditure to high priority projects in the Mount Isa region, however, given the tremendous opportunities presented in West Africa, the exploration for gold deposits in Burkina Faso will be the primary focus of the Company in the year ahead.

On behalf of the Board I would like to thank Peter Spiers and his team for their hard work and also you, our shareholders for your ongoing support and look forward to providing you with the results of our exploration programs in the year ahead.

Yours sincerely

John Bovard
Chairman

Review of Operations

Highlights

The Company made substantial progress in the advancement and further development of its portfolio of exploration properties during and subsequent to the end of the 2010 financial year.

Significant achievements have included:

- Establishment of a 5,000km^2 portfolio of gold exploration permits in Burkina Faso, West Africa (secured under three year option agreements).
- Formal commencement of Burkina Faso gold exploration in June 2010.
- Generation of high grade gold assays across eight separate prospect areas in Burkina Faso:
  - Nabanga – 3.5km long quartz vein with high grade grab samples (avg. 13.54g/t Au)
  - Yatci – high grade (+10g/t Au) gold assays from quartz vein / intermediate host rock grab samples
  - Boungou – high grade quartz veins within gold mineralised mafic host rocks (avg. quartz samples 13.30g/t Au)
  - Tawori – quartz vein grab sample 54.3g/t Au (1 sample)
  - Kodjini – quartz vein grab samples - average grade 38.2g/t Au (from 5 samples)
  - Koumbia – multiple high grade (+10g/t Au) quartz veins over 1,000m x 500m area
  - Mogu – high grade gold assay in quartzite ridge, includes 2m @ 22.9g/t Au rock chip
  - Boungou – 1km long artisanal workings, includes 1.5m @ 43.1g/t Au rock chip sample
- Delineation of a near-surface sulphide copper deposit within the Leichardt Project at Mount Isa (Barbara North Lode Deposit, MET 49%) – combined Indicated and Inferred Mineral Resource of 0.74Mt @ 1.23%Cu (refer table 1 for resource category details)
- Identification through drilling of additional significant copper and cobalt mineralisation at the Green Zone and North Gossan targets (Leichardt Project, MET 49%)
- Completion of the initial two diamond drill holes at Gregory Iron Oxide Copper Gold Project (Mount Isa) – both holes intersected significant intervals of the target iron-oxide alteration and narrow intervals of anomalous copper assays providing evidence of a "live" copper system

West African Gold Projects

During the year the Company successfully established a significant portfolio of highly prospective gold exploration permits in the West African nation of Burkina Faso. Today the Company has one of the most significant exploration footprints of any company active in this highly active exploration region.

Reconnaissance exploration activity completed to date by MET in Burkina Faso has been extremely encouraging with high grade gold assays recorded across eight separate prospect areas. Given the successes to date, and the high prospectivty of the region, the Company intends to devote a significant proportion of its future expenditure towards gold exploration in West Africa.

About Gold in Burkina Faso – West Africa

West Africa is a world-class gold province with more than 50 major gold deposits discovered across the region to date (figure 1).

Gold deposits in Burkina Faso are generally hosted within greenstone rocks. Greenstone gold provinces comprise some of the world's largest historical gold producing regions including the Yilgarn Gold Province of Western Australia and the Abitibi Greenstone Belt of Eastern Canada.

Exploration in Burkina Faso (and West Africa) is substantially less advanced than in comparable greenstone provinces in other parts of the world. MET believes that this lack of exploration maturity provides exceptional opportunities for the discovery of world-class gold deposits.

The Burkina Faso Mining Code was revised in 2003 bringing it into line with modern mining legislation. As a consequence of this revision, and the significant exploration potential, the gold sector of Burkina Faso is currently undergoing a rapid expansion. Burkina Faso is one of the most active countries for gold exploration in the world today with representation by companies from Australia, North America and Europe.

There are six large-scale gold mines currently in operation in Burkina Faso, all owned and operated by substantial international companies. Gold production from Burkina Faso is expected to surpass 750,000 ounces per annum by 2011 and now forms a significant part of the domestic economy.

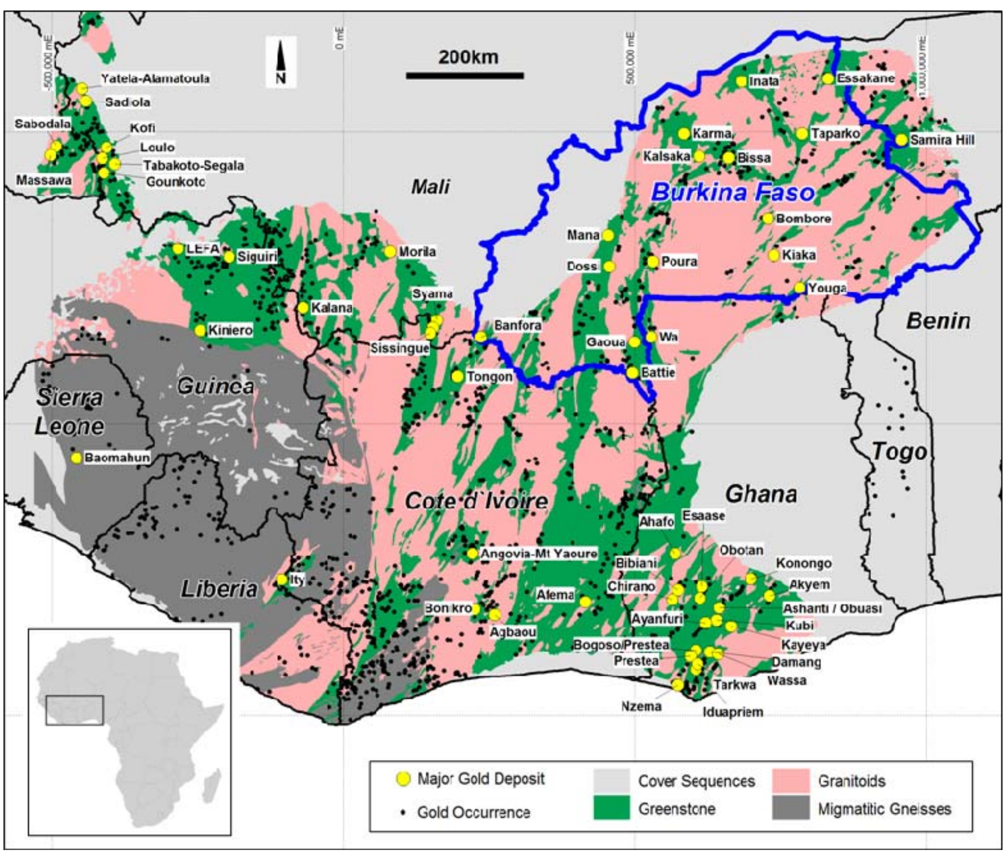


Figure 1 - West African Gold Province – showing major gold deposits.

MET Exploration Projects - Burkina Faso

During the financial year MET established a substantial portfolio of gold exploration permits and permit applications in Burkina Faso offering significant opportunity for the discovery of large-scale gold deposits.

The exploration permits were selected by MET following a comprehensive regional assessment program which targeted, amongst other factors:

- favourable greenstone host rocks;
- favourable structures (in geophysical and satellite data);
- the presence of known gold occurrences (artisanal mine workings);
- access to granted exploration tenure; and
- areas with no or ineffective prior exploration.

The location of the MET permits (grouped into project areas) is shown in figure 2.

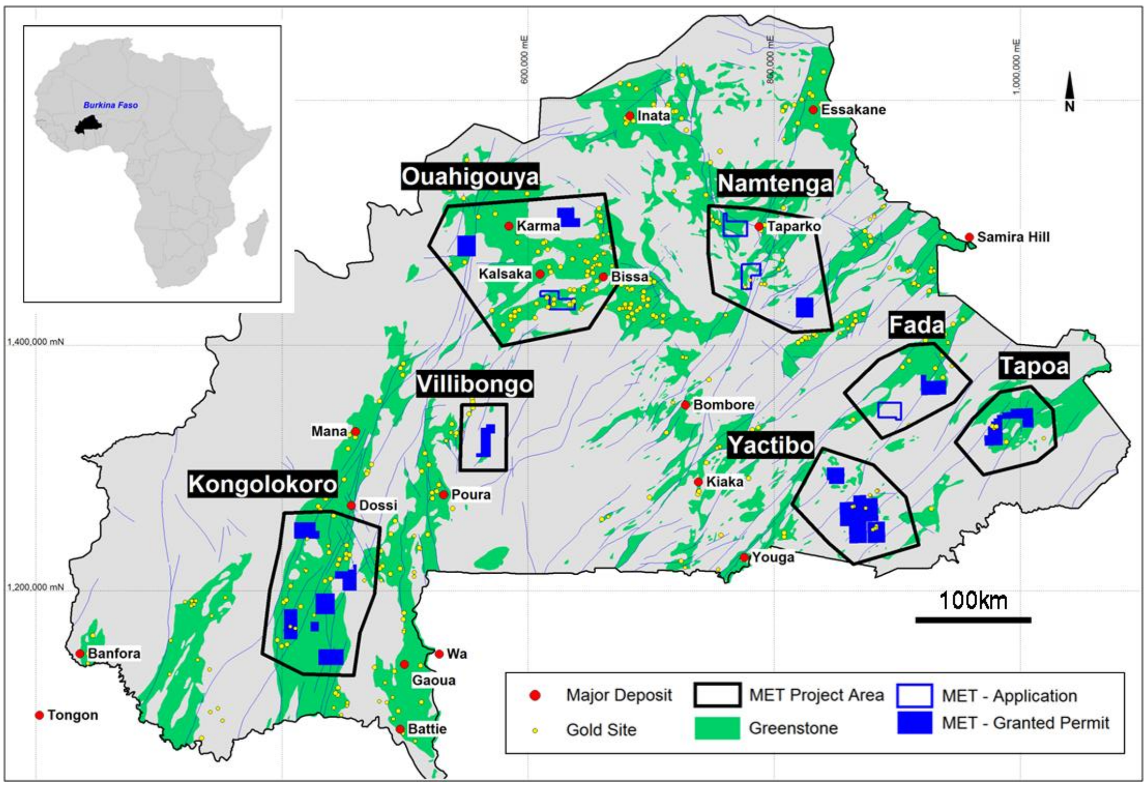


Figure 2 - Location of MET Permits and Project Areas in Burkina Faso.

The MET permits were secured under option agreements that provide the Company with the exclusive right to conduct exploration and an option to acquire a 100% interest in each permit by making staged payments over a three year period.

The agreements provide access to multiple gold targets that justify immediate exploration investment. The agreements also provide MET with the largest land position in Burkina Faso of any ASX-listed company active in the country today.

MET's optioned exploration permits include:

- a total permit area greater than 5,000km^2 (granted permits plus applications);
- more than 24 artisanal gold mining sites (known gold occurrences); and
- an approximate 300km strike length of highly prospective greenstone host rocks.

A significant number of recent gold discoveries in West Africa have been facilitated by follow-up of artisanal mining activity. MET has explicitly targeted artisanal gold sites as an important component of its permit acquisition program. This strategy has already generated early success with high grade gold assays reported from sampling of eight prospects across three project areas.

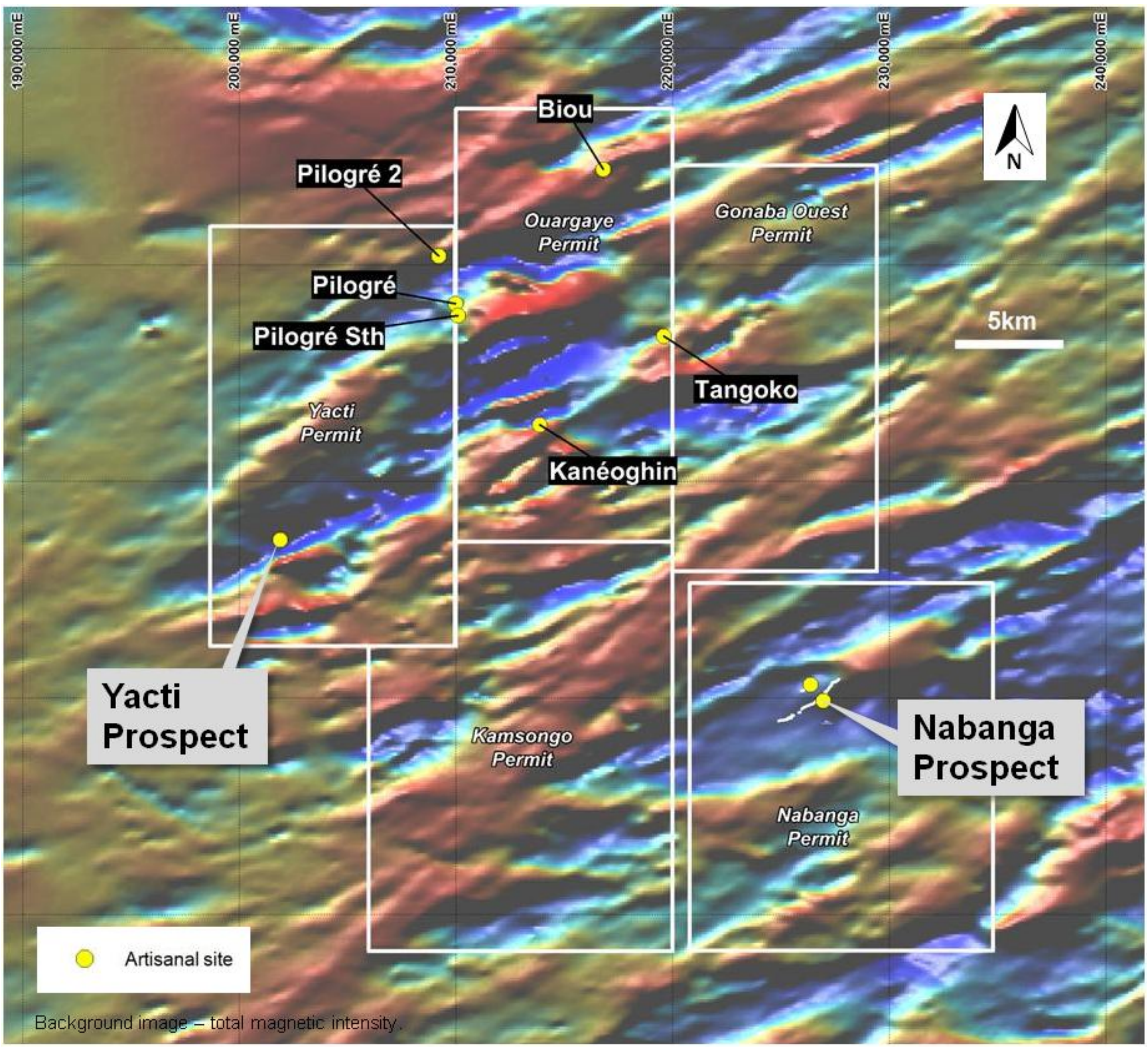
Yactibo Project

The Yactibo Project is located in south-east Burkina Faso and comprises six granted exploration permits with a total area of 1,262km^2. The permits were targeted by MET due to prospective greenstones and complex faulting observed in regional-scale geophysical data.

Numerous artisanal mining sites indicate that gold mineralisation is present and widespread across the project area. Initial grab sampling of two artisanal sites by MET in June 2010 generated high grade gold assays in quartz vein material at the Nabanga and Yacti Prospects (figure 3).

Artisanal mining at the **Nabanga Prospect** extends to a maximum depth of approximately 20 metres from surface and is focused on the exploitation of visible quartz veins. Vein width is variable and typically ranges from 0.2 metres to 2.0 metres true width.

The dominant Nabanga vein can be traced at surface over a strike length of 3.5 kilometres and high grade grab samples have been recorded by MET along the length of the structure (average grade 13.54g/t Au) (figure 4).



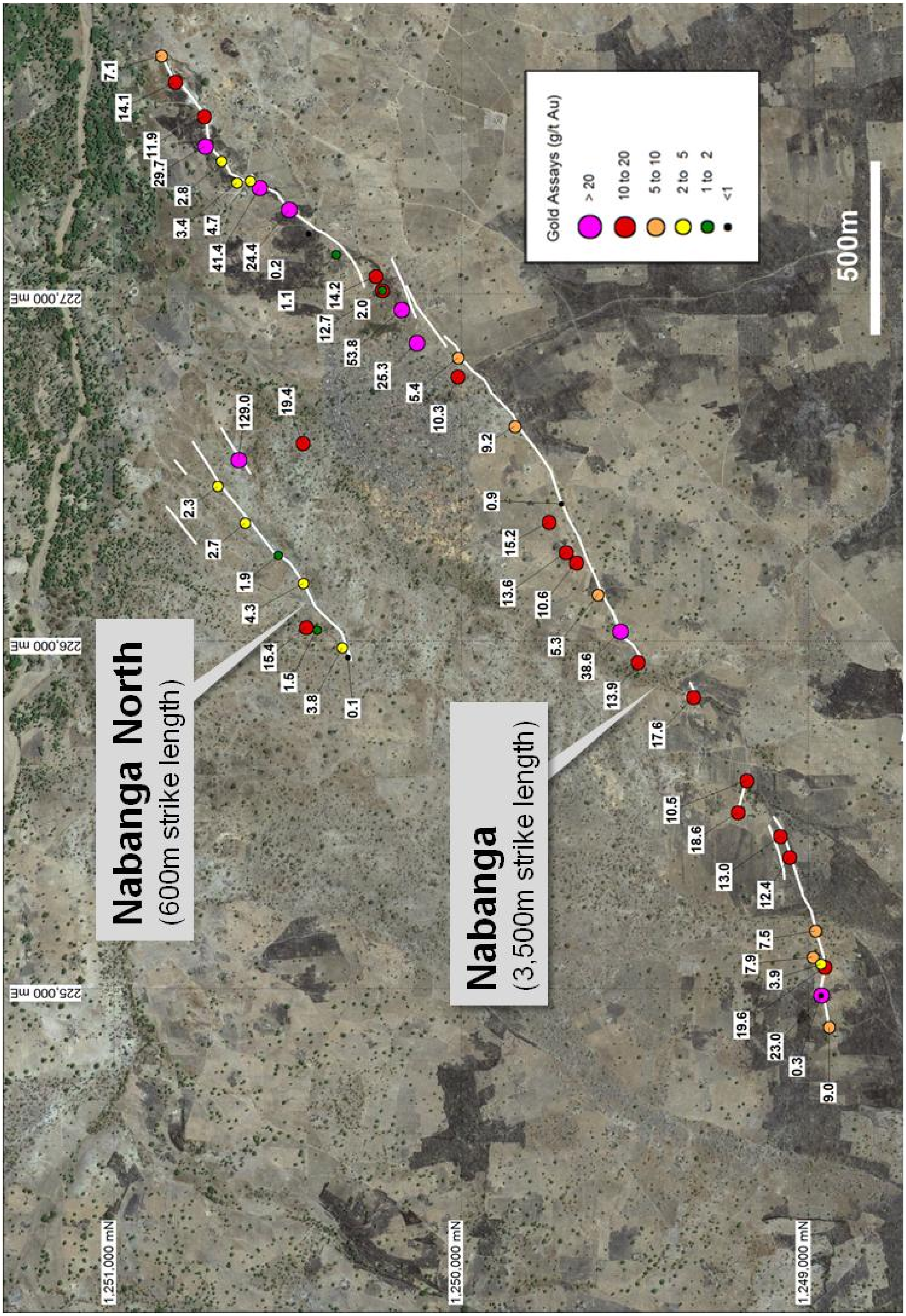


Figure 4 - Nabanga Prospect - Grab sample results.

Gold mineralisation in the sub-parallel but lower grade **Nabanga North** vein is defined over a shorter but still significant 600 metre strike length. The average grade of Nabanga North vein grab samples was 4.00g/t Au.

Preliminary sampling by MET between the Nabanga and Nabanga North veins has also indicated potential for the discovery of additional sub-parallel mineralised vein sets with spot assay values of 19.4g/t Au and 129.0g/t Au recorded.

MET proposes to undertake trenching and RC drilling at Nabanga to define the total width of the mineralised structures and to assess the continuity of gold mineralisation at depth. Drilling is scheduled to commence at Nabanga during the fourth quarter of calendar 2010.

In addition to the Nabanga area MET has also recorded high grade (+10g/t Au) grab samples from preliminary sampling of the **Yacti Prospect**, located approximately 25 kilometres to the north-west of Nabanga (figure 3)

The high grade Yacti samples (average 15.13g/t Au from two samples) were recorded in quartz veining within intermediate greenstone host rocks and included visible free gold.

Multiple gold targets including artisanal gold mining sites remain to be assessed across the balance of the 1,262km^2 Yactibo Project area.

Tapoa Project

The Tapoa Project is located in the far east of Burkina Faso and comprises two granted exploration permits with a total area of 500km^2 (figure 2). At Tapoa MET is targeting gold mineralisation in regional-scale faults within greenstone (mafic volcanic) host rocks.

Significant artisanal gold mining sites have been identified within the central region of the Boungou (western) exploration permit. First pass reconnaissance sampling by MET (subsequent to year end) of selected artisanal workings has produced high grade gold assays at the Tawori, Boungou and Kodjini Prospects (figure 5).

The artisanal workings within the central region of the Boungou permit are generally shallow (<10m deep) and developed in weathered soils with poor evidence of the primary controls on gold mineralisation. The artisanal workings are also widespread (distributed over a 5km long corridor) suggesting either near-surface enrichment of gold in the weathering profile or possibly a widely distributed primary gold source, for example a multiple fault system or stock-work veining.

Grab sampling at the **Boungou Prospect** by MET produced high grade gold assays in quartz vein material (average 13.30g/t Au) and, significantly anomalous assays in surrounding amphibolite host rocks (average 1.52g/t Au) (figure 5).

The amphibolite samples from the Boungou Prospect were generally highly deformed with variable development of pyrite (iron sulphide) and stock-work veining.

Preliminary grab sampling of quartz vein material at the **Kodjini** and **Tawori Prospects** by MET also produced encouraging high grade gold results. Peak assay values of 93.40g/t Au and 54.30g/t Au were recorded from the Kodjini and Tawori Prospects respectively (figure 5).

In summary the reconnaissance exploration completed to date by MET within the Tapoa Project (Boungou Permit) has identified:

- high grade quartz vein associated gold mineralisation;
- gold mineralised / altered wall rocks (amphibolites);
- a widespread distribution of artisanal workings; and
- evidence of possible controlling structures in satellite imagery and geophysical data.

A significant exploration program is justified to advance gold targets in the immediate Kodjini-Boungou-Tawori trend.

MET proposes to complete a high resolution airborne magnetic geophysical survey over the Boungou Permit before the end of 2010 to aid in detailed structural interpretation and to define additional gold targets across the broader Tapoa Project area.

Reverse Circulation (RC) drilling is planned in the fourth quarter of calendar 2010.

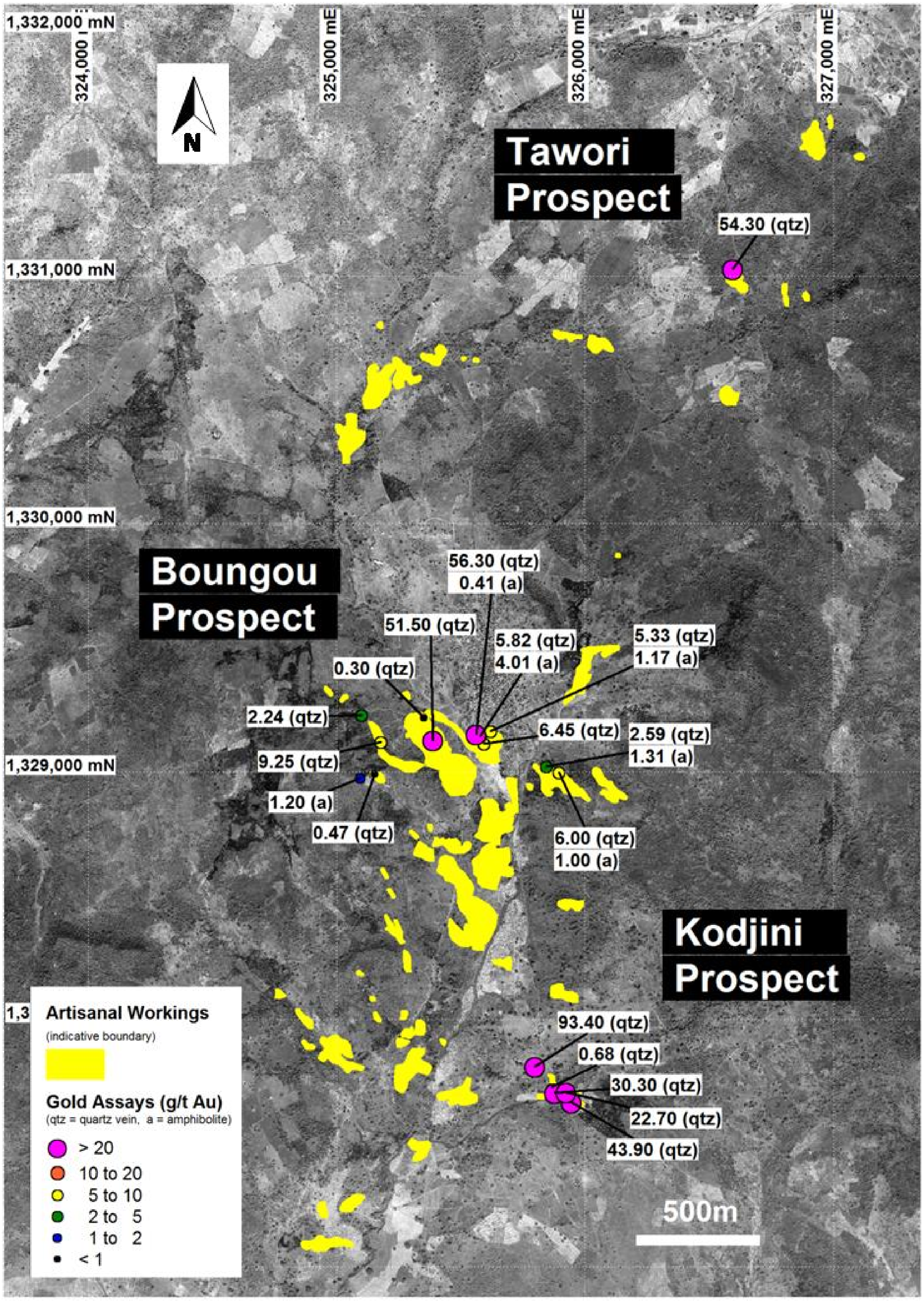


Figure 5 - Artisanal gold mining sites (by photo interpretation) and MET grab sample results along the Kodjini – Boungou - Tawori trend.

Kongolokoro Project

The Kongolokoro Project comprises six granted exploration permits totalling 1,267km^2 located in the Hounde Greenstone Belt of south-western Burkina Faso.

The Hounde Greenstone Belt hosts a number of significant third-party owned gold deposits including the Dossi and Bondi gold deposits in proximity to MET's permits (figure 2) and the Mana gold deposit (and associated open pit mine) some 80 kilometres further to the north of the project area.

At Kongolokoro, MET is targeting extensions to known gold mineralised structures and known gold mineralised host rock sequences. In addition MET has also selectively targeted exploration permit areas with known artisanal gold workings.

To date, and subsequent to year end, MET has completed first pass reconnaissance sampling of three artisanal sites. High grade gold assay values were recorded from each area sampled.

At the **Koumbia Prospect** MET has identified multiple gold mineralised quartz veins associated with artisanal workings over an approximate 1,000 metre by 500 metre area (figure 6).

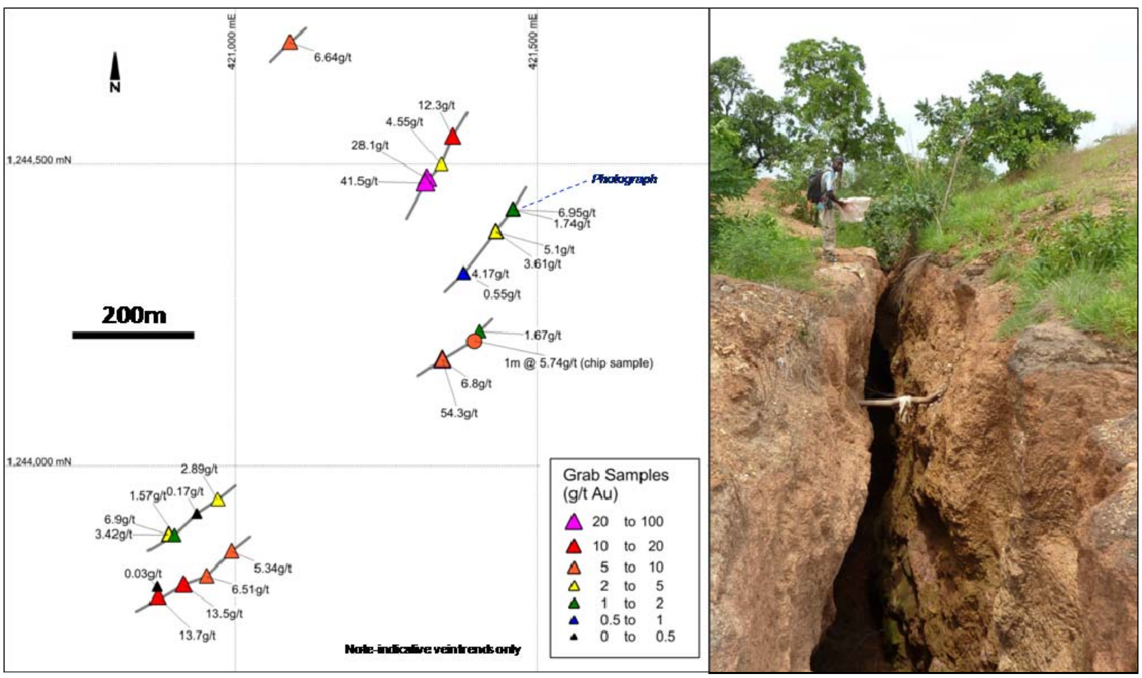


Figure 6 – Koumbia Prospect - Grab and rock chip sample results.

At the **Mogu Prospect** MET has recorded high grade gold assays from rock chip and grab sampling of complex cross-cutting quartz vein sets also associated with artisanal workings (figure 7).

At the **Bantou Prospect** MET recorded medium to high grade gold assay results from first pass grab and rock chip sampling of quartz veins and quartzite (fine grained quartz-rich rock). The artisanal gold workings at the Bantou Prospect can be traced over a strike length of approximately 1,000 metres (figure 8).

Multiple sub-parallel structures have been identified at the Bantou Prospect that are developed within a corridor of artisanal workings up to 40 metres wide. The continuity of mineralisation across this zone is unknown (not sampled).

The positive sample results received to date from the Kongolokoro Project, including high grade gold assays from all three sampled prospects, confirm that the MET permits contain significant gold mineralised structures.

Detailed exploration programs will be implemented at the three identified gold prospects, and reconnaissance exploration activities implemented across the balance of the Kongolokoro Project permit areas, during the 2011 financial year.

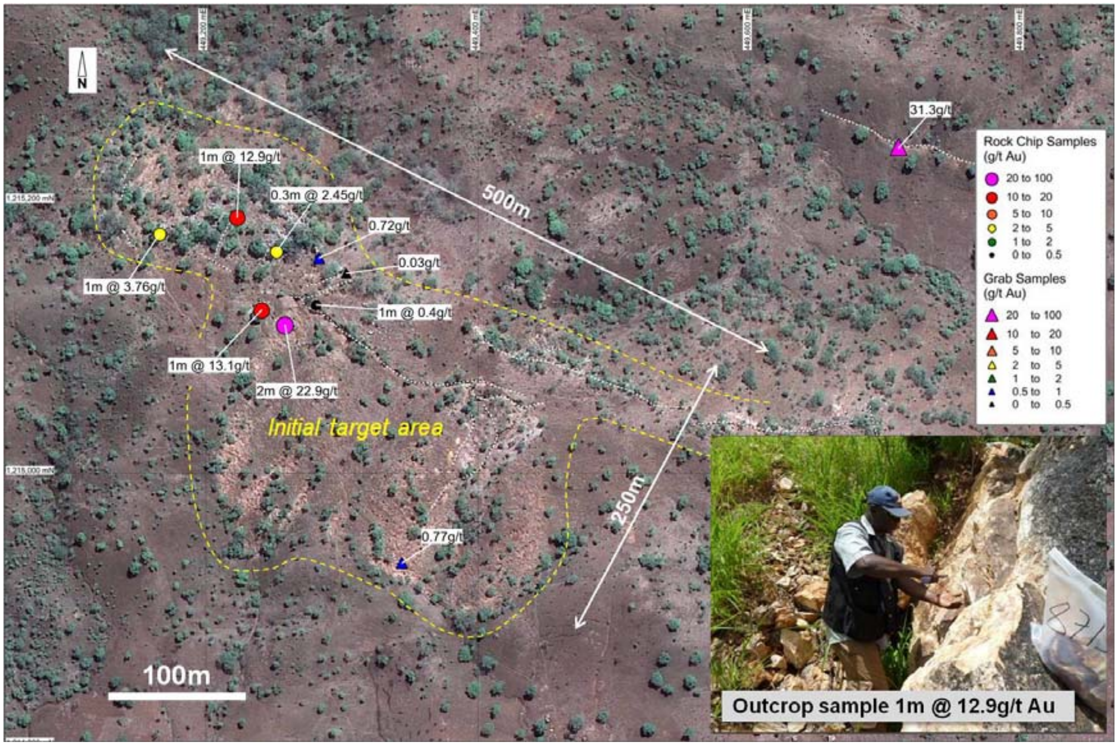


Figure 7 – Mogu Prospect - Grab and rock chip sample results.

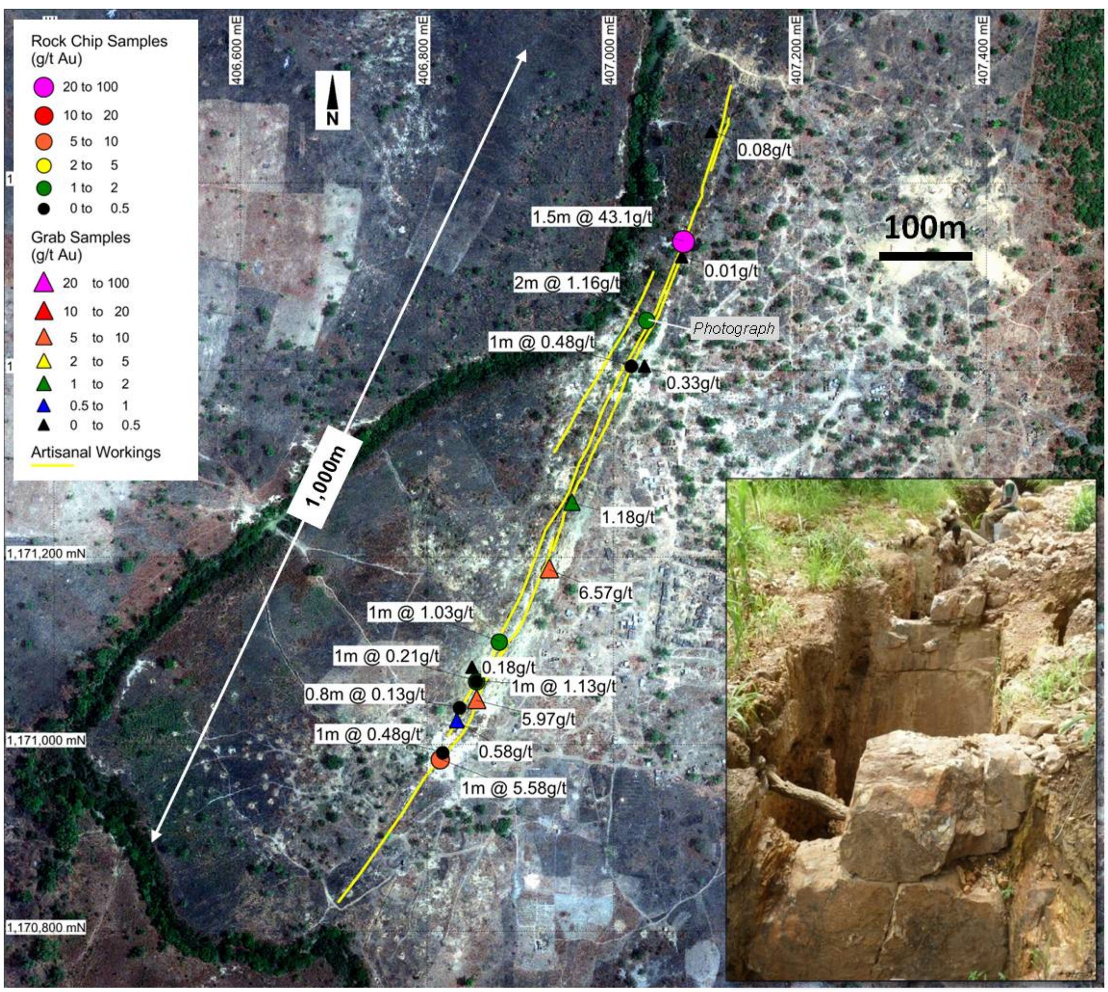


Figure 8 – Bantou Prospect - Grab and rock chip sample results.

Other Project Areas - Burkina Faso

During the year, and in addition to the project areas outlined above, MET secured access to a further four gold exploration project areas in Burkina Faso with a total permit area (including applications) in excess of 2,000km^2. These areas comprise the Villibongo, Ouahigouya, Fada and Namtenga Projects (refer figure 2).

Each of these additional project areas was selected by MET for a range of factors that indicate significant potential for the discovery of large-scale gold deposits including the presence of one or more of:

- prospective greenstone host rocks;
- structural gold targets identified in geophysical and/or satellite data; and
- known gold mineralisation as evidenced by artisanal gold mining sites.

MET intends to progressively and systematically expand its exploration activities in Burkina Faso to encompass these additional project areas in the near future.

Burkina Faso Tenure and General Risk Factors

The Burkina Faso exploration permits have been secured under three year option agreements that provide the Company with the exclusive right to conduct exploration and an option to acquire a 100% interest in each permit by making staged payments over a three year period.

Operating in Burkina Faso presents new risks to the Company and its assets. Some of these risks are as a result of operating in new environment with a different legal system and different geo-political risks. There are also risks associated with the Company's capacity to obtain and maintain tenure to the exploration assets in Burkina Faso.

These risks are disclosed in some detail in the Prospectus lodged with the Australian Securities and Investment Commission by MET on 09 September 2010 (refer – Section 6 - Tenement Report, and Section 8 - Risk Factors). For more detail shareholders are directed to that document prior to making an investment in MET a copy of which can be obtained from the Company's website at www.mtisametals.com.au.

Figure 9 – Artisanal gold mining site in Burkina Faso (MET - Kongolokoro Project).

Mount Isa Projects – Copper and Copper-Gold

During the year the Company continued to advance exploration activities within its substantial portfolio of exploration tenements in the world-class Mount Isa Mineral Province of north-west Queensland.

The Mount Isa region is recognised as one of the world's premier mineral provinces. Exploration in the region has produced a number of significant mineral discoveries in recent years including iron-oxide copper gold deposits (IOCG), uranium deposits, silver-lead-zinc deposits and complex base metal rare earth element associated deposits.

The Company's primary interest in the Mount Isa region is the discovery of IOCG deposits and shear-hosted copper deposits. The Company's exploration tenements are divided into four discrete project areas totalling in excess of 4,000km^2 (excluding competitive tenement applications) (figure 10).

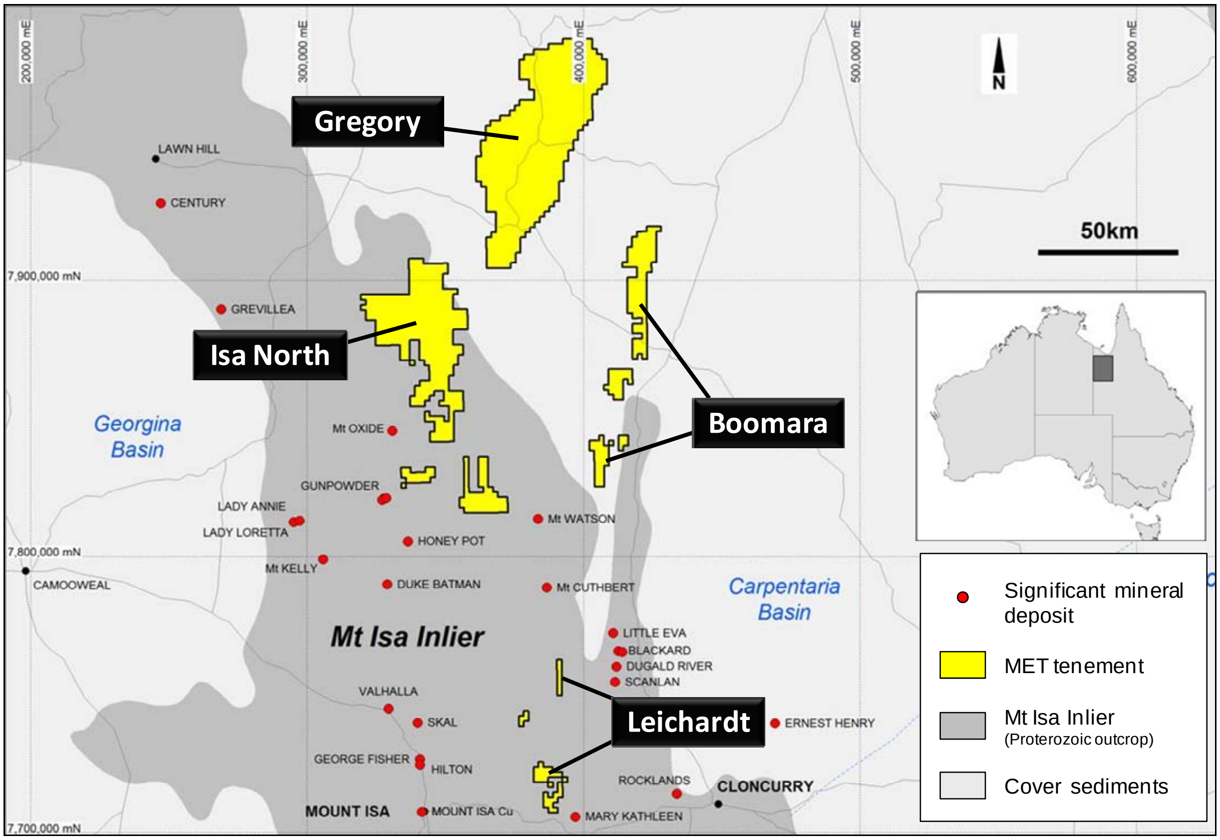


Figure 10 - Location of MET tenements and tenement applications in the Mount Isa region (excludes competitive tenement applications)

Leichardt Project

The Leichardt Project comprises 274km^2 of granted exploration tenements and tenement applications located approximately 50 kilometres west of the township of Cloncurry. The Leichardt region is noted for a very high concentration of copper and copper-gold mineral occurrences – the primary deposit types sought by MET (figure 11).

Exploration within the Leichardt area during the year focused on the Barbara and Blockade tenements which are held in joint venture between Mt Isa Metals (49%) and Syndicated Metals Limited (51% and manager). During the year the joint venture completed 60 drill holes for approximately 8,000 metres of combined RC and diamond drilling within the Barbara tenement.

The Barbara drilling achieved significant success and resulted in the delineation of a near-surface sulphide copper deposit amenable to open pit mining - the **Barbara North Lode** deposit. During the year a maiden combined Indicated and Inferred Mineral Resource was announced for the Barbara North Lode deposit which comprises 9,100 tonnes of contained copper metal (table 1).1

1 Refer ASX release *"Maiden Resource Estimate for Barbara North Lode"* dated 01 March 2010 for details of resource estimation parameters.

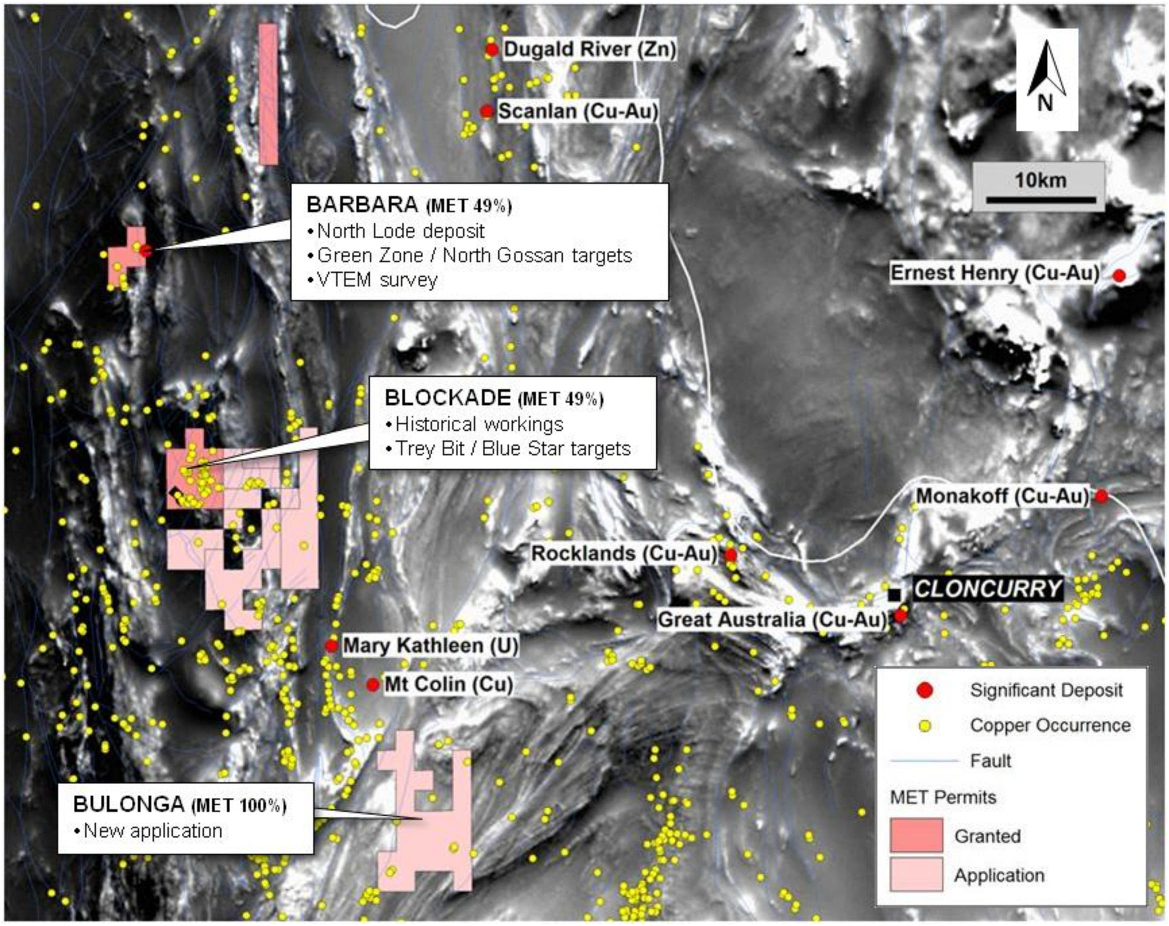


Figure 11 - Leichardt Project - Location of MET tenements (includes competitive applications).

Category	Tonnes	Cu %	Au g/t	Cu Tonnes	Au Ounces
Indicated	281,000	1.35	0.1	3,790	900
Inferred	459,000	1.16	0.1	5,310	1,480
Total	**740,000**	**1.23**	**0.1**	**9,100**	**2,380**

Table 1 - Barbara North Lode Mineral Resource Estimate (0.5% Cu cut-off) (100% JV basis).

A significant proportion of the drilling completed to date has intersected the Barbara structure at a depth less than approximately 150 metres from surface. Recent step-out drilling shows the Barbara North Lode deposit to be open below this level and therefore significant potential exists to define additional resource tonnes (figure 12).

The intersection recently recorded in drill hole BARC 055 (9m @ 2.05% Cu) is particularly significant in that it is the first substantial intersection of copper mineralisation to be recorded in what has previously been considered a low grade zone of the Barbara structure.

The BARC 055 intersection (together with other intersections shown in figure 12) opens up potential for delineation of an additional zone of sulphide copper mineralisation over a 200 metre plus strike length. This zone along the Barbara structure is untested at depth.

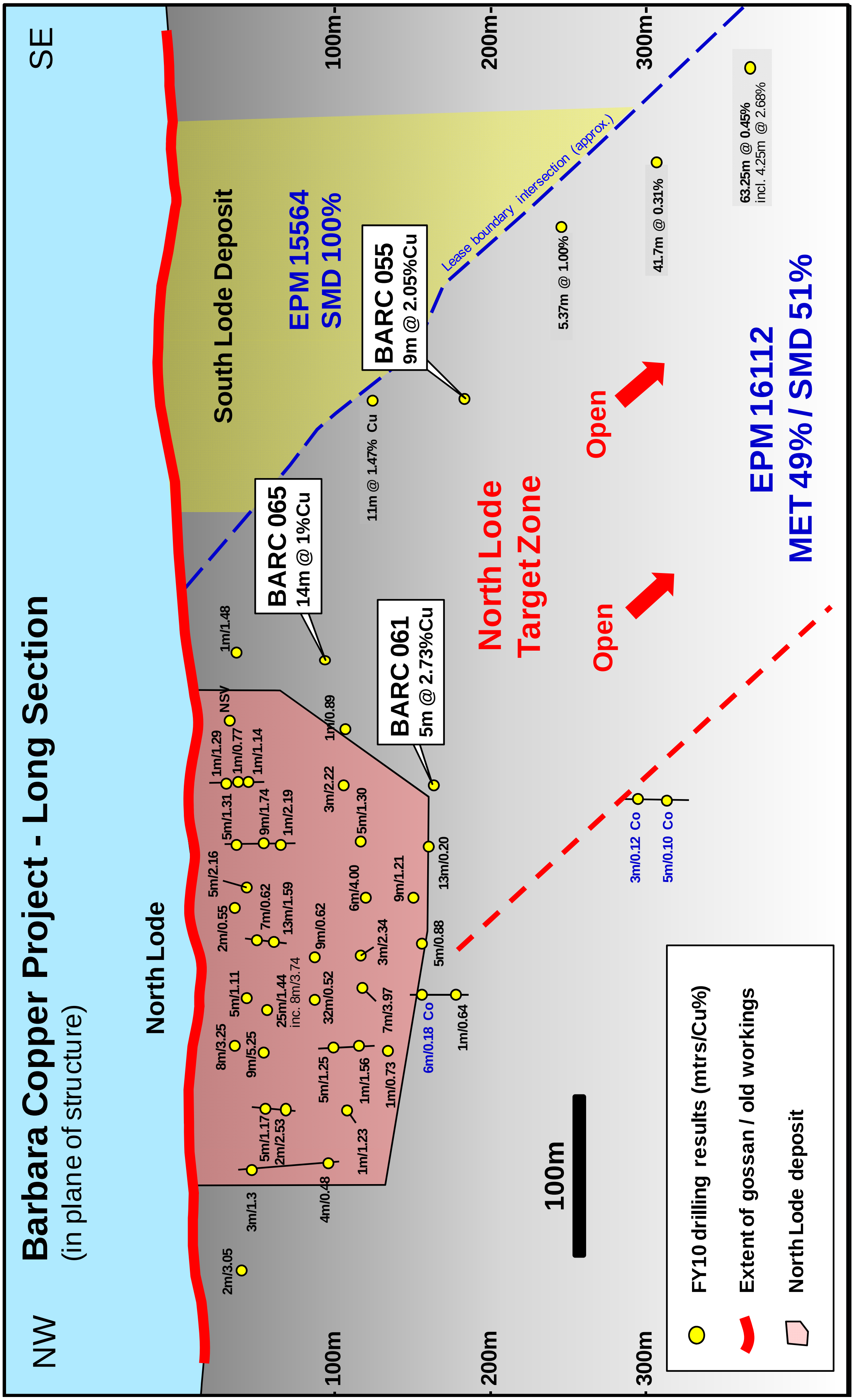


Figure 12 - Barbara Copper Deposit – Longitudinal section.

In addition to exploration at the Barbara North Lode deposit positive copper and cobalt assay results were also received from first phase exploration drilling of other adjacent targets in the Leichardt joint venture area including the **Green Zone** and **North Gossan** targets. Intersections recorded from drilling these targets during the year included:

Green Zone	24m @ 0.83% Cu (from 32m, in GZRC 003)
	8m @ 1.05% Cu (from 56m, in GZRC 006)
North Gossan	4m @ 900ppm Co (from 20m, in NGRC 002)
	3m @ 1,032ppm Co (from 74m, in NGRC 003)

During the year phase one RC drilling was also completed within the Blockade joint venture tenement located 20km to the south of Barbara (MET 49%) to test historical copper mine workings at the **Trey Bit** and **Blue Star Prospects** (figure 11). Drill assay results are awaited.

Subsequent to year end an airborne electro-magnetic geophysical survey (VTEM survey) was also completed over the entire Barbara tenement to seek to identify buried "conductors" (potential copper deposits) at additional prospects such as Lilly May, Mount Olive and Manxman. Several additional drill targets were identified from this survey in the Barbara tenement..

MET considers the Leichardt region to be highly prospective for discovery of copper and copper-gold deposits and continues to pursue an aggressive exploration program and seeks to extend its tenement position in the area.

Gregory Project

The Gregory Project is located between 200km and 300km north of Mount Isa and comprises seven granted 100%-owned exploration tenements with a total area of 2,055km^2 (figure 10).

At Gregory MET is targeting IOCG deposits in a previously unexplored 90km long extension of the regionally mineralised Gunpowder Fault System associated with Mount Isa Inlier host rocks. Target basement rocks within the Gregory Project are obscured by a thick sequence of sedimentary cover and therefore the project area has received virtually no exploration prior to MET activities.

MET has identified multiple IOCG drill targets within the Gregory Project by using existing regional magnetic geophysical data in combination with data from a new high resolution gravity survey completed by MET over the entire project area during 2009 (figure 13).

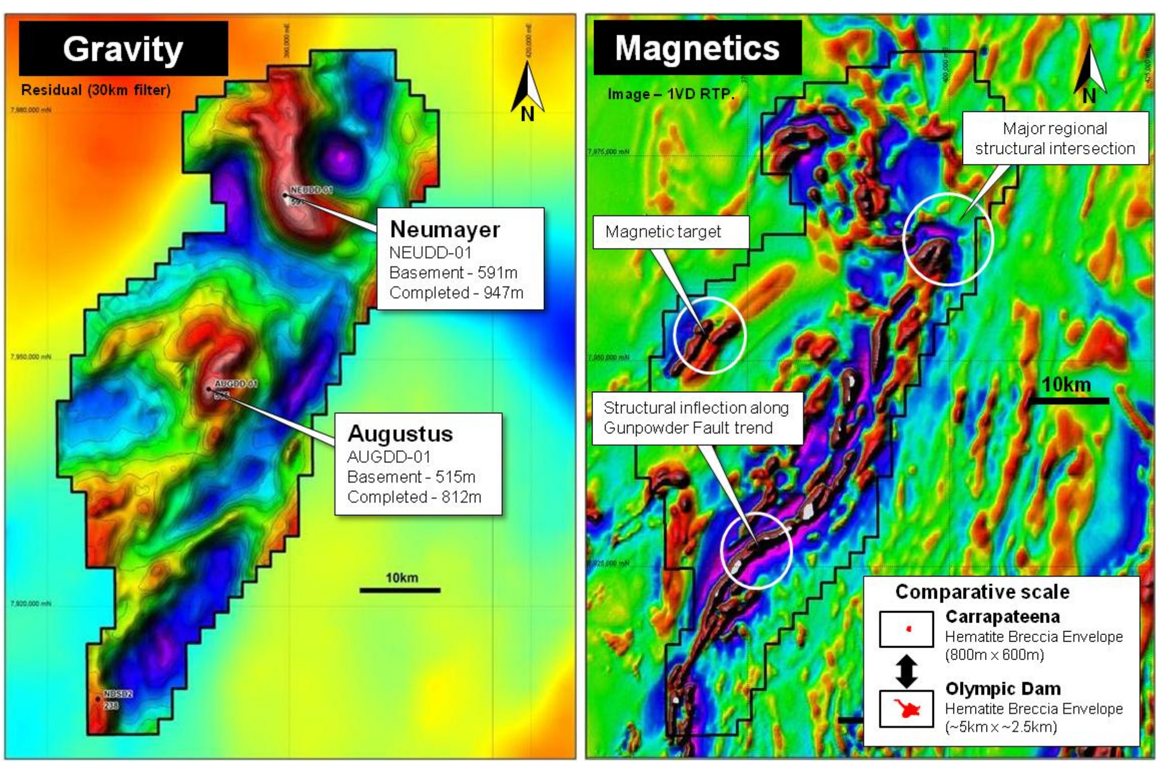


Figure 13 - Gregory Project – Geophysical data images.

During the year MET completed two deep diamond drill holes in the central and northern region of the project area. The drill holes were designed to test significant bulls-eye residual gravity anomalies defined in the regional gravity survey (figure 13 - NEUDD-01 and AUGDD-01).

Both holes intersected significant intervals of the target iron-oxide (magnetite +/- hematite) alteration in basement rocks at greater than 500 metre down hole depth. The dense iron-oxide intervals recorded are considered to represent the source rocks for the targeted/observed gravity anomalies. Narrow (less than 1 metre) intervals of anomalous copper assays were recorded in both holes as blebs and/or stringers of chalcopyrite mineralisation (peak assay value 0.2% Cu). Typical iron-oxide rich core intervals recorded in the holes is shown at figure 14.

NEUDD-01 (~764m) - Chalcopyrite "blebs" (marked) within intense magnetite alteration (>50% Fe).

AUGDD-01 (~635m) - Chalcopyrite "stringers" within hematite - magnetite - albite alteration (0.2%Cu).

Figure 14 - Photographs of Gregory Project drill core.

MET considers that the drill results generated to date from the Gregory Project are very encouraging in that they include iron-oxides, IOCG and/or skarn style alteration, and, the evidence of a "live" copper system.

The Gregory drilling was supported by a grant of $150,000 from the Queensland Department of Mines and Energy (Collaborative Drilling Initiative – Round 3). MET intends to seek an additional grant from the Queensland Government under the Round 5 Collaborative Drilling Initiative prior to commitment to additional drilling.

Numerous geophysical anomalies and structural targets remain to be drill tested across the large Gregory Project area.

Other Project Areas – Mount Isa Region

In addition to the projects outlined above, MET controls tenements totalling a further 1,866km^2 in the broader Mount Isa region comprising the Boomara and the Isa North Projects[2] (figure 10).

At the **Boomara Project** MET is targeting IOCG deposits within a 100km long belt of covered but magnetically anomalous rocks of the Mount Isa Inlier. IOCG alteration (and associated copper-gold mineralisation) has been recorded in diamond drilling at the Johnnies Creek prospect to the south of MET's Boomara tenements.

During the year MET completed surface geochemical sampling and modelling of magnetic geophysical data over IOCG targets within the Boomara Project area. The geochemical sampling did not produce any significant results due to interpreted masking effects of overlying sediments.

The Company considers the Boomara area to be highly prospective for the discovery of IOCG deposits and during the period January 2010 to July 2010 applied for additional exploration tenements with a 494km^2 area. Some of the applications are competitive with Xstrata plc (Mount Isa Mines Limited). Diamond and reverse circulation drilling is required to test basement rocks and geophysical anomalies within the Boomara Project tenements.

Within the **Isa North Project** MET holds 1,087km^2 of granted tenements which overlie the northern extension of the Gunpowder Fault – a major regional structure that is spatially associated with a number of significant metal (copper and uranium) deposits.

MET advanced regional exploration activities in the Isa North Project area during the year including surface soil, stream and rock chip sampling programs. These programs have identified multiple base and precious metal targets (copper, gold, lead and zinc) within the project area that require additional definition prior to drill assessment.

2 Comprises granted tenements and non-competitive tenement applications.

Outlook

The Company has made significant progress on the development of its exploration portfolio during the financial year.

MET has secured (via three year option agreements) a substantial tenement position in excess of 5,000km^2 in the highly prospective Birimian Gold Province of Burkina Faso, West Africa. Exploration commenced in Burkina Faso in June 2010 and to date high grade gold assays have been announced from eight separate project areas.

MET has also recently announced a $3.6 million exploration budget for West Africa to June 2011 and plans to commence drilling of high priority targets before year end.

Given the excellent progress achieved to date on the Company's gold projects in Burkina Faso, and significant gold prospectivity, gold exploration in West Africa will be the key focus of the Company during the 2011 financial year.

The Company also continues to explore in the Mount Isa region where it is targeting the discovery of copper and copper-gold deposits. Advancement of the Leichardt Project will be the primary focus of the Company's activities in the Mount Isa region.

The Leichardt Project includes the Barbara North Lode copper deposit where the Company (together with joint venture partner Syndicated Metals) has defined a small-scale but near-surface sulphide copper deposit. The Company believes Barbara copper deposit, and multiple adjacent copper targets, have significant potential to be developed as a near-term open pit mining operation. Further definition drilling and project development studies will be completed at Barbara during 2011.

Subsequent to year end, and in order to advance the Company's large and highly prospective project portfolio, the Company announced a capital raising of up to $4.8 million. The capital raising was well advanced but incomplete as at the date of this report.

Figure 15 – Artisanal gold mining site in Burkina Faso.

Directors' Report

Your directors present their report for the year ended 30 June 2010.

The following persons were directors of Mt Isa Metals Limited during the financial year and up to the date of this report, unless otherwise stated:

Peter Spiers - Managing Director
BSc (Hons – Geol), MAusIMM

Mr Spiers is a qualified geologist with in excess of 25 years of experience in the resources industry. Mr Spiers has substantial operations and exploration experience having worked in a wide range of commodities and operating environments both within Australia and offshore.

A significant proportion of his career to date was spent with Western Mining Corporation (WMC) where he held numerous senior technical and commercial roles. His most recent role was Group Manager – Business Development, where he managed the targeting and evaluation of major mineral investment opportunities including copper, gold, nickel, iron ore, mineral sands, coal and other industrial minerals.

Previously Mr Spiers was also responsible for WMC's operations strategic planning which included planning oversight for a multi-billion dollar asset portfolio comprising the company's nickel, copper-gold-uranium, and phosphate fertilizer operations.

More recently Mr Spiers held an executive position with ASX listed Atlas Group Holdings Limited where he was focused on the development of business-wide improvement initiatives and the definition of strategies for growth.

John Bovard – Non-Executive Chairman
BE Civil, FAusIMM

Mr Bovard is a civil engineer and has over 41 years experience in mining, heavy construction, project development and corporate management. His career has included roles as CEO of public companies and both executive and non-executive directorships and he is currently a Non–Executive Director of Australian Solomons Gold Limited and Non-Executive Chairman of Pacific Enviromin Limited. He holds a Bachelor of Civil Engineering, and is a Fellow of the Australian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Company Directors.

Mr Bovard is a member of the Audit and Risk Management Committee.

During the past three years Mr Bovard has also served as a Director of the following ASX listed companies:

- Pacific Enviromin Limited * (since 30 October 2009)

* denotes current directorship.

Nicholas Mather – Non-Executive Director
BSc (Hons, Geol), MAusIMM

Mr Mather's special area of experience and expertise is the generation of and entry into undervalued or unrecognised resource exploration opportunities. He has been involved in the junior resource sector at all levels for more than 25 years. In that time he has been instrumental in the delivery of major resource projects that have delivered significant gains to shareholders. As an investor, securing projects and financiers, leading exploration campaigns and managing emerging resource companies, Mr Mather brings a wealth of valuable experience.

Mr Mather is currently CEO (and co-founder) of Solomon Gold plc (AIM) and Managing Director (and founder) of D'Aguilar Gold Ltd (ASX).

As an Executive Director (and co-founder) of Arrow Energy Ltd until 2004, Mr Mather was responsible for the generation of its Surat Basin Coal Bed Methane project. Arrow Energy Ltd was recently acquired by CS CSG (Australia) Pty Ltd, which is jointly owned by Shell and PetroChina, for consideration of $3.5 billion. Previously as CEO of BeMax Resources Limited, Mr Mather was instrumental in the discovery of the company's Pooncarie mineral sands project in 1998.

Mr Mather has also been a non-executive Director of Ballarat Goldfields, having assisted with the recapitalisation of the company in 2002. Ballarat Goldfields was taken over by Lihir Gold at a value in excess of $300 million.

Mr Mather is a member of the Audit and Risk Management Committee.

During the past three years Mr Mather has also served as a Director of the following ASX listed companies:

- D'Aguilar Gold Ltd * (since 26 October 2001)
- Bow Energy Ltd * (since 17 September 2004)
- Waratah Coal Inc. (6 May 2005 until 22 December 2008) (ASX listed from 10 November 2008 to 22 December 2008)

* denotes current directorship.

Michele Muscillo – Non-Executive Director
LLB (Hons)

Mr Muscillo is a Partner specialising in corporate law with HopgoodGanim Lawyers. He was admitted as a Solicitor in 2004 and has a practice focusing almost exclusively on mergers and acquisitions, and capital raising.

He has a Bachelor of Laws from Queensland University of Technology and was a recipient of the QUT University Medal.

In his role with HopgoodGanim Lawyers, Mr Muscillo has acted on a variety of corporate transactions including initial public offerings, takeovers and other acquisitions. Michele's experience brings to the Board expertise on corporate regulation, governance and compliance matters.

Mr Muscillo is the Chairman of the Audit and Risk Management Committee.

Duncan Cornish – Company Secretary, CFO
B.Bus (Acctcy) ACA

Mr Duncan Cornish was the company secretary of Mt Isa Metals Limited during the financial year and up to the date of this report.

Mr Cornish is an accomplished and highly efficient corporate administrator and manager. He has many years experience in pivotal management roles in capital raisings and stock exchange listings for numerous companies on the ASX, AIM Market of the London Stock Exchange and the Toronto Stock Exchange. He has also focused on the areas of company reporting and company regulatory, secretarial and governance areas, and business acquisition and disposal due diligence. He has worked previously with Ernst and Young and PricewaterhouseCoopers in both Australia and the UK.

Mr Cornish is currently Company Secretary and CFO of other listed companies on the ASX and TSX-V having assisted in the listing and capital raising of each of the companies. He is supported by a small experienced team of accountants and administrators.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in the shares and options of Mt Isa Metals Limited are shown in the table below:

	Ordinary Shares	Unlisted Options $0.20 @ 31/5/12	Unlisted Options $0.20 @ 20/8/11	Unlisted Options $0.25 @ 20/8/11
John Bovard	20,000	-	-	500,000
Peter Spiers	71,429	47,619	3,700,000	-
Nicholas Mather	775,716	190,478	-	500,000
Michele Muscillo	25,000	-	-	500,000

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year were exploration for copper-gold and gold deposits.

In September 2009, it was announced that in addition to activities in the Mount Isa region the Company was actively engaged in expanding its current project portfolio with a view to securing additional properties focussed on gold exploration. In keeping with the Company's stated strategy these project areas were to be located within a recognised world-class gold province.

On 18 November 2009, the Company further announced that after a comprehensive review of all available opportunities it had elected to expand its gold exploration activities to include the world–class Birimian Gold Province of West Africa. Burkina Faso was selected as the initial entry point to the region.

After finalising a number of agreements that provide an option to acquire 100% interests in highly prospective gold exploration permits, the company formally commenced exploration activity in Burkina Faso, West Africa in June 2010.

OPERATING RESULTS

For the year ended 30 June 2010, the loss for the consolidated entity after providing for income tax was $2,040,521 (2009: $1,466,836).

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the financial year.

REVIEW OF OPERATIONS

Detailed comments on operations and exploration programs up to the date of this report are included separately in the Annual Report under Review of Operations and Future Developments.

REVIEW OF FINANCIAL CONDITION

Capital structure

There were no changes to the capital structure of the Company during the year ended 30 June 2010.

At 30 June 2010, the Company had 103,750,000 ordinary shares and 13,200,000 unlisted options on issue.

On 20 July 2010, 100,000 unlisted options exercisable at 25 cents, on or before 30 June 2012, were forfeited as a result of the end of an employment contract pursuant to the terms of the Employee Share and Option Scheme.

On 31 July 2010, 800,000 unlisted options exercisable at 20 cents expired.

On 6 September 2010, 500,000 unlisted options unlisted options exercisable at 25 cents, on or before 30 June 2012, were forfeited as a result of the end of an employment contract pursuant to the terms of the Employee Share and Option Scheme.

At the date of this report the Company had 103,750,000 ordinary shares and 11,800,000 unlisted options on issue.

Financial position

The net assets of the consolidated entity have decreased by $2,068,338 from $6,788,173 at 30 June 2009 to $4,719,835 at 30 June 2010. This decrease has largely resulted from operating losses.

The consolidated entity's working capital, being current assets less current liabilities has decreased from $4,418,158 in 2009 to $1,008,666 in 2010.

During the past year the consolidated entity has invested in expanding its gold exploration activities to include the world–class Birimian Gold Province of West Africa.

Treasury policy

The consolidated entity does not have a formally established treasury function. The Board is responsible for managing the consolidated entity's finance facilities. The consolidated entity does not currently undertake hedging of any kind and is not directly exposed to material currency risks.

Liquidity and funding

The consolidated entity has sufficient funds to finance its operations and exploration activities, and to allow the consolidated entity to take advantage of favourable business opportunities, not specifically budgeted for, or to fund unforeseen expenditure.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the Company occurred in the financial year:

On 29 September 2009 the Company reached agreement with Legend to exit from the D-Tree Joint Venture. Legend, as manager of the D-Tree Joint Venture, had invoiced the Company $1.739 million for the Company's 20% interest in the D-Tree project for the period 1 September 2008 to 30 June 2009. The Company decided to dilute rather than pay the invoices and in accordance with the Joint Venture agreement, the Company's interest has been reduced to less than 5%, thus requiring the Company to exit the Joint Venture. The Company has agreed to a royalty of A$0.50 per tonne from any future phosphate product derived from the former D-Tree Joint Venture tenements.

On 20 October 2009, the Company formed 100% owned subsidiary, MET BF Pty Ltd.

On 18 November 2009, the Company announced that it had elected to expand its gold exploration activities to include the world–class Birimian Gold Province of West Africa. Burkina Faso was selected as the initial entry point to the region.

During the period April to June 2010 the Company finalised agreements that provide an option to acquire a 100% interest in a number of highly prospective gold exploration permits in Burkina Faso, West Africa. The Company's total optioned landholding in Burkina Faso is currently in excess of 5,000km^2, providing the Company with one of the most significant portfolios in the region.

The Company formally commenced exploration activity in Burkina Faso in June 2010.

AFTER BALANCE DATE EVENTS

On 20 July 2010, 100,000 unlisted options exercisable at 25 cents, on or before 30 June 2012, were forfeited as a result of the end of an employment contract pursuant to the terms of the Employee Share and Option Scheme.

On 31 July 2010, 800,000 unlisted options exercisable at 20 cents expired.

On 6 September 2010, 500,000 unlisted options unlisted options exercisable at 25 cents, on or before 30 June 2012, were forfeited as a result of the end of an employment contract pursuant to the terms of the Employee Share and Option Scheme.

On 7 September 2010, the Board of Mt Isa Metals announced a 1 for 4 non-renounceable entitlement offer at $0.15 per share to raise approximately $3.9 million which would be separated into two components:

- an accelerated institutional entitlement offer of $1.9 million, and
- a retail entitlement offer raising approximately $2.0 million.

On 9 September 2010 the Company announced the successful completion of the accelerated institutional component (Institutional Offer) of the 1 for 4 non-renounceable entitlement offer (Entitlement Offer) announced on 7 September 2010. The Institutional Offer will raise approximately $1.9 million at offer price of $0.15 per share. Settlement of the Institutional Offer will occur on 23 September 2010.

Proceeds from the Institutional Offer and fully underwritten $2.0 million Entitlement Offer will be utilised in conjunction with existing cash reserves to fund an aggressive gold exploration program in Burkina Faso. This exploration will include significant drilling programs on identified high grade gold prospects.

There have been no other events since 30 June 2010 that impact upon the financial report as at 30 June 2010.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Likely developments in the operations of the Company and the expected results of those operations in subsequent financial years have been discussed where appropriate in the Annual Report under Review of Operations and Future Developments.

There are no further developments of which the Directors are aware which could be expected to affect the results of the Company's operations in subsequent financial years other than information which the Directors believe comment on or disclosure of, would prejudice the interests of the Company.

ENVIRONMENTAL ISSUES

The Company is subject to environmental regulation in relation to its exploration activities. There are no matters that have arisen in relation to environmental issues up to the date of this report.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each Director of Mt Isa Metals Limited, and for the key management personnel.

Remuneration policy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

The Board does not presently have Remuneration and Nomination Committees. The directors consider that the Company is not of a size, nor are its affairs of such complexity, as to justify the formation of separate committees. All matters which might be dealt with by such committees are reviewed by the directors meeting as a Board. The Board, in carrying out the functions of the Remuneration and Nomination Committees, are responsible for determining and reviewing compensation arrangements for the directors and the executive team.

The Board, in carrying out the functions of the Remuneration and Nomination Committees, assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Company.

The Company aims to reward the Managing Director and senior management with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The Board's policy is to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives.

In accordance with best practice corporate governance, the structure of non-executive directors, Managing Director and senior management remuneration is separate and distinct.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution of the Company and the ASX Listing Rules specify that the non-executive directors are entitled to remuneration as determined by the Company in a general meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. The aggregate remuneration currently determined by the Company is $350,000 per annum. Additionally, non-executive directors will be entitled to be reimbursed for properly incurred expenses.

REMUNERATION REPORT (AUDITED) CONTINUED

If a non-executive director performs extra services, which in the opinion of the directors are outside the scope of the ordinary duties of the director, the Company may remunerate that director by payment of a fixed sum determined by the directors in addition to or instead of the remuneration referred to above. However, no payment can be made if the effect would be to exceed the maximum aggregate amount payable to non-executive directors. A non-executive director is entitled to be paid travel and other expenses properly incurred by them in attending directors' or general meetings of the Company or otherwise in connection with the business of the Company.

The remuneration of non-executive directors for the year ending 30 June 2010 is detailed in this Remuneration Report.

Managing Director and senior management remuneration

The Company aims to reward the Managing Director and senior management with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward Executives for company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Managing Director and senior management may from time to time be fixed by the Board. As noted above, the Board's policy is to align the Managing Director and senior management objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives.

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board, in carrying out the functions of the Remuneration and Nomination Committees, and the process consists of a review of Company-wide and individual performance, relevant comparative remuneration in the market and internal, and where appropriate, external advice on policies and practices. Senior management are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Long-term incentives are provided in the form of options and/or the issue of shares following the completion of satisfactory time periods of service. The Company uses employee continuity of service and the future share price to align comparative shareholder return and reward for executives.

The remuneration of the Managing Director and senior management for the year ending 30 June 2010 is detailed in this Remuneration Report.

Relationship between remuneration and Company performance

During the financial year, the Company has generated losses as its principal activity was exploration for copper-gold and gold deposits and the recent expansion of its gold exploration activities to include the world–class Birimian Gold Province of West Africa.

On 22 August 2008, official quotation of the Company's shares on the ASX commenced at a price of $0.20. The share price at the end of the financial year ended 30 June 2010 was $0.175 (2009: $0.115).

There were no dividends paid during the year ended 30 June 2010.

As the Company is still in the exploration and development stage, the link between remuneration, company performance and shareholder wealth is tenuous. Share prices are subject to the influence of metals prices and market sentiment toward the sector, and as such increases or decreases may occur quite independent of executive performance or remuneration.

REMUNERATION REPORT (AUDITED) CONTINUED

Employment contracts

It is the Board's policy that employment agreements are entered into with all Executive Directors, Executives and employees.

Contracts do not provide for pre-determining compensation values or method of payment. Rather the amount of compensation is determined by the Board in accordance with the remuneration policy set out above.

The current employment agreements with the Managing Director and the Company Secretary have three month notice periods. All other employment agreements have one month (or less) notice periods. No current employment contracts contain early termination clauses. All Non-Executive Directors have received letters outlining the key terms of their appointment.

Key management personnel are entitled to their statutory entitlements of accrued annual leave and long service leave together with any superannuation on termination. No other termination payments are payable.

Managing Director

The Company has an Executive Service Agreement with Peter Spiers. The Agreement commenced on 1 January 2008 and will continue until the Agreement is terminated by either party. Under the Executive Service Agreement, Mr Spiers has agreed to provide certain services to the Company and be appointed as the Chief Executive Officer and Managing Director of the Company.

Mr Spiers receives a base remuneration of $300,000 per annum (not including superannuation contributions). Mr Spiers is eligible for an annual bonus of up to 30% of his annual base salary if he successfully achieves key performance indicators established by the Board (KPI's) before the start of each financial year.

Upon listing of the Company on the ASX, Mr Spiers was granted 3,700,000 options of the issued capital of the Company, exercisable at 20 cents, expiring on 20 August 2011. The Company is obliged to reimburse Mr Spiers for all reasonable and necessary expenses incurred by him in the performance of his duties.

The Company is entitled to terminate the agreement upon the Board giving three (3) months written notice or upon the happening of various events in respect of Mr Spiers' solvency or other conduct. There is no termination payment provided for in the Executive Service Contract with Peter Spiers.

Senior Management

General Manager - Exploration
The company had a Consultancy Agreement with Andrew Bowden (trading as Geodec Consulting Pty Ltd) for the position of General Manager – Exploration. The agreement commenced on 8 September 2008 and continued until 20 July 2009 when the agreement was terminated and Mr Bowden became employed under an Employment Contract.

Mr Bowden was employed under the employment contract until 12 February 2010 when the Company entered into a new Consultancy Agreement with Mr Bowden (trading as Geodec Consulting Pty Ltd) for the position of Consultant Geologist.

On 28 May 2010, it was mutually agreed to terminate the contract which occurred on 4 June 2010 and a cash payment of $20,046 (exclusive of GST) was made to Mr Bowden, being 50% of the amount due had he remained in the employ of the Company until the end of his contract period.

Pursuant to the Company's Incentive Option Scheme, during the year ended 30 June 2009, Mr Bowden was granted 500,000 unlisted options, exercisable at $0.25 on or before 30 June 2012. In accordance with the Scheme, the options will expire the business day after the expiration of three months after Mr Bowden ceased to be employed by the Company.

Exploration Manager - Africa
The company has an Employment Contract with Mr Peter Ledwidge for the position of Exploration Manager – Africa. Mr Ledwidge began employment with the Company on 8 September 2008 in the position of Senior Exploration Geologist. On 19 February 2010 Mr Ledwidge accepted the position of Exploration Manager – Africa.

REMUNERATION REPORT (AUDITED) CONTINUED

The employment contract may be terminated by either party by providing one month's written notice, or immediately in the case of gross negligence or serious misconduct.

Pursuant to the Company's Incentive Option Scheme, during the year ended 30 June 2009, Mr Ledwidge was granted 200,000 unlisted options, exercisable at $0.25 on or before 30 June 2012.

Exploration Manager – Mount Isa
The company has an Employment Contract with Mrs Ann Ledwidge for the position of Exploration Manager – Mount Isa. Mrs Ledwidge began employment with the Company on 13 July 2009 in the position of Contract Geologist. On 19 January 2010 Mrs Ledwidge accepted the position of Exploration Manager – Mount Isa.

The employment contract may be terminated by either party by providing one month's written notice, or immediately in the case of gross negligence or serious misconduct.

Company Secretarial and CFO

The Company has a Services Agreement with Corporate Administration Services Pty Ltd (CAS) and Duncan Cornish, the Secretary of the Company. The Services Agreement commenced on the date the Company listed on the Australian Securities Exchange (20 August 2008) and will continue until the Agreement is terminated by either party. Under the Services Agreement CAS has agreed to provide certain company secretarial and other services to the Company.

Additionally, CAS has agreed to cause Duncan Cornish to assist CAS in providing the services and Duncan Cornish has agreed to act as the Secretary and Chief Financial Officer of the Company.

Up until 1 March 2010 CAS received a base fee of $90,000 per annum. From 1 March 2010 the base fee increased to $110,000.

The Company is obliged to reimburse CAS for all reasonable and necessary expenses incurred by it in the performance of its duties. Both the Company and CAS are entitled to terminate the Agreement upon giving not less than three months written notice. Further, the Company is entitled to terminate the Agreement upon the happening of various events in respect of CAS's solvency or other conduct.

The Services Agreement has a three month notice period. There is no termination payment provided for in the Consultancy Agreement with CAS and Duncan Cornish.

(a) Details of Management Personnel

(i) Directors

John Bovard	Non-Executive Chairman
Peter Spiers	Managing Director
Nicholas Mather	Non-Executive Director
Michele Muscillo	Non-Executive Director

(ii) Senior Management

Andrew Bowden	General Manager – Exploration (resigned on 4 June 2010)
Ann Ledwidge	Exploration Manager – Mount Isa (commenced employment on 13 July 2009, appointed to position of Exploration Manager – Mt Isa on 19 January 2010)
Peter Ledwidge	Exploration Manager – Africa (commenced employment on 8 September 2008, appointed to position of Exploration Manager – Africa on 19 February 2010)
Duncan Cornish	Company Secretary and Chief Financial Officer

REMUNERATION REPORT (AUDITED) CONTINUED

(b) Remuneration details

The following table shows remuneration, in respect to the financial years ended 30 June 2010 and 2009, the component of remuneration for each key management person and, to the extent different, the five Group executives and five company executives who received the highest remuneration:

2010	Short-Term Benefits				Post-Employment	Long-term employee benefits	Termination benefits	Share-based payments		Total	% Remuneration as options
	Salary & Fees	Cash Bonus	Insurance Premiums	Other short-term benefits	Superannuation			Equity-settled (options)	Cash-settled		
	$	$	$	$	$	$	$	$	$	$	
Directors											
John Bovard	50,000	-	5,303	-	-	-	-	-	-	55,303	-
Peter Spiers	289,461	-	5,303	-	25,000	-	-	-	-	319,764	-
Nicholas Mather	40,000	-	5,303	-	-	-	-	-	-	45,303	-
Michele Muscillo	40,000	-	5,303	-	-	-	-	-	-	45,303	-
Total	**419,461**	**-**	**21,212**	**-**	**25,000**	**-**	**-**	**-**	**-**	**465,673**	
Senior Management											
Andrew Bowden *	124,821	-	-	-	8,098	-	20,046	-	-	152,965	-
Ann Ledwidge ^	113,812	-	-	-	8,997	-	-	-	-	122,809	-
Peter Ledwidge #	161,154	-	-	-	13,590	-	-	-	-	174,744	-
Duncan Cornish	96,667	-	5,303	-	-	-	-	-	-	101,970	-
Total	**496,454**	**-**	**5,303**	**-**	**30,685**	**-**	**20,046**	**-**	**-**	**552,488**	

* Andrew Bowden ceased employment on 4 June 2010
^ Ann Ledwidge was appointed to position of Exploration Manager – Mount Isa on 19 January 2010
# Peter Ledwidge was appointed to position of Exploration Manager – Africa on 19 February 2010

2009	Short-Term Benefits				Post-Employment	Long-term employee benefits	Termination benefits	Share-based payments		Total	% Remuneration as options
	Salary & Fees	Cash Bonus	Insurance Premiums	Other short-term benefits	Superannuation			Equity-settled (options)	Cash-settled		
	$	$	$	$	$	$	$	$	$	$	
Directors											
John Bovard	43,011	-	4,021	-	-	-	-	38,333	-	85,365	45%
Peter Spiers	272,318	-	4,021	15,977	36,234	-	-	336,700	-	665,250	51%
Nicholas Mather	34,429	-	4,021	-	-	-	-	38,333	-	76,783	50%
Michele Muscillo	34,429	-	4,021	-	-	-	-	38,333	-	76,783	50%
Total	**384,187**	**-**	**16,084**	**15,977**	**36,234**	**-**	**-**	**451,699**	**-**	**904,181**	
Senior Management											
Andrew Bowden	120,739	-	-	-	-	-	-	23,446	-	144,185	16%
Duncan Cornish	90,557	-	4,021	-	-	-	-	23,446	-	118,024	20%
Total	**211,296**	**-**	**4,021**	**-**	**-**	**-**	**-**	**46,892**	**-**	**262,209**	

In both 2009 and 2010 the Group and Company had fewer than 5 Executives.

Cash bonuses, performance-related bonuses and share-based payments
Key management personnel and other executives were not paid cash bonuses or performance-related bonuses during the years ended 30 June 2010 and 2009.

There were no share-based payments to key management personnel and other executives during the year ended 30 June 2010.

Details of share-based payments to key management personnel and other executives during the year ended 30 June 2009 are detailed in the table below.

REMUNERATION REPORT (AUDITED) CONTINUED

(b) Remuneration details (continued)

Cash bonuses, performance-related bonuses and share-based payments (continued)

	Remuneration type	Grant date	Grant value (per option) $ #	Percentage vested / paid during year %	Percentage forfeited during year %	Percentage remaining as unvested %	Expiry date for vesting or payment
Group key management personnel							
John Bovard	Options	20/08/2008	0.077	-	-	-	20/08/2011
Peter Spiers	Options	20/08/2008	0.091	-	-	-	20/08/2011
Nicholas Mather	Options	20/08/2008	0.077	-	-	-	20/08/2011
Michele Muscillo	Options	20/08/2008	0.077	-	-	-	20/08/2011
Andrew Bowden	Options	30/06/2009	0.047	-	-	-	30/06/2012
Peter Ledwidge	Options	30/06/2009	0.047	-	-	-	30/06/2012
Duncan Cornish	Options	30/06/2009	0.047	-	-	-	30/06/2012

Calculation of value of options granted using the Black-Scholes option pricing model, which takes into account factors such as the option exercise price, the market price at the date of issue and volatility of the underlying share price and the time to maturity of the option.

These options were not issued based on performance criteria. The options were issued to the directors and senior management of Mt Isa Metals Limited to align comparative shareholder return and reward for directors and senior management.

All options were issued by Mt Isa Metals Limited and entitle the holder to one ordinary share in Mt Isa Metals Limited for each option exercised.

All options granted as part of remuneration for the year ended 30 June 2009 were granted for nil consideration.

All of the above options vested during the year ended 30 June 2009. Once vested, options can be exercised at any time up to the expiry date.

During the year ended 30 June 2009, 750,000 $0.25 options, previously issued to Duncan Cornish as remuneration, expired.

During the years ended 30 June 2009 and 2010 there were no options exercised that had been granted as remuneration in current or prior years.

End of Remuneration Report

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of directors) held during the year and the number of meetings attended by each Director was as follows:

	Board		Audit & Risk Management Committee	
	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended
John Bovard	7	7	2	2
Peter Spiers	7	7	n/a	n/a
Nicholas Mather	7	6	2	-
Michele Muscillo	7	6	2	2

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

Each of the Directors and the Secretary of the Company have entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those Directors and Secretary.

The Company has insured all of the Directors of Mt Isa Metals Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances.

The Company has not indemnified or insured its auditor.

OPTIONS

At the date of this report, there were 11,800,000 unissued ordinary shares under options as follows:
- 5,900,000 unlisted options exercisable at 20 cents, on or before 31 May 2012.
- 3,700,000 unlisted options exercisable at 20 cents, on or before 20 August 2011.
- 1,500,000 unlisted options exercisable at 25 cents, on or before 20 August 2011.
- 700,000 unlisted options exercisable at 25 cents, on or before 30 June 2012.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

During the year ended 30 June 2010, and up to the date of this report, there were no ordinary shares issued as a result of the exercise of an option over unissued shares.

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 purposes of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor BDO Audit (QLD) Pty Ltd. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

BDO Audit (QLD) Pty Ltd received the following amounts for the provision of non-audit services:

Tax services	$12,875

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 31.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Mt Isa Metals Limited support and have adhered to the principles of corporate governance. The Company's Corporate Governance Statement can be found on page 36.

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

Peter Spiers
Director

Brisbane
15 September 2010

BDO Kendalls

The Directors
Mt Isa Metals Limited
GPO Box 5263
BRISBANE QLD 4001

Dear Directors

DECLARATION OF INDEPENDENCE BY D P WRIGHT TO THE DIRECTORS OF MT ISA METALS LIMITED

As lead auditor of Mt Isa Metals Limited for the year ended 30 June 2010, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Mt Isa Metals Limited and the entities controlled during the period.

D P Wright

Director

BDO Audit (QLD) Pty Ltd

Brisbane

15 September 2010

Shareholder Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 13 September 2010.

(a) Distribution of equity securities

The number of holders, by size of holding, in each class of security are:

	Ordinary shares		Unlisted options ($0.20 @ 31/5/12)		Unlisted options ($0.20 @ 20/8/11)	
	Number of holders	Number of shares	Number of holders	Number of options	Number of holders	Number of options
1 – 1,000	10	2,795	-	-	-	-
1,001 – 5,000	37	132,995	-	-	-	-
5,001 – 10,000	163	1,569,892	-	-	-	-
10,001 – 100,000	281	10,381,234	27	1,495,217	-	-
100,001 and over	60	91,663,084	7	4,404,783	1	3,700,000
Total	551	103,750,000	34	5,900,000	1	3,700,000

	Unlisted options ($0.25 @ 20/8/11)		Unlisted options ($0.25 @ 30/6/12)	
	Number of holders	Number of options	Number of holders	Number of options
1 – 1,000	-	-	-	-
1,001 – 5,000	-	-	-	-
5,001 – 10,000	-	-	-	-
10,001 – 100,000	-	-	-	-
100,001 and over	3	1,500,000	2	700,000
Total	3	1,500,000	2	700,000

The number of shareholders holding less than a marketable parcel (1,819 ordinary shares) is 12 and they hold 6,028 ordinary shares.

(b) Twenty largest holders

The names of the twenty largest holders, in each class of quoted security are:

Ordinary shares:

		Number of shares	% of total shares
1	D'Aguilar Gold Ltd	50,000,000	48.19%
2	UBS Wealth Management Australia Nominees Pty Ltd	19,495,180	18.79%
3	Indium Investments Pty Ltd	2,256,198	2.17%
4	Phillip Securities (Hong Kong) Ltd	1,868,500	1.80%
5	Tenstar Trading Limited *	1,464,285	1.41%
6	Carpentaria Corporation Pty Ltd	1,250,000	1.20%
7	Bizzell Capital Partners Pty Ltd	1,246,935	1.20%
8	Justevian Pty Ltd	1,071,428	1.03%
9	Mr Robert Simeon Lord	940,000	0.91%
10	Mirrup Pty Ltd	777,142	0.75%
11	Mr Warren William Brown & Mrs Marilyn Helena Brown	750,000	0.72%
12	Grace Fashion Pty Ltd	588,000	0.57%
13	Mr Ronald Geoffrey Phillips	500,000	0.48%
14	K J Hayes Corporation Pty Ltd	483,769	0.47%
15	BCP Alpha Investments Pty Ltd	453,656	0.44%
16	Mr Vincent David Mascolo	375,001	0.36%
17	Mr Thomas Charles Goodwin & Mrs Susan Maree Goodwin	371,978	0.36%
18	Albiano Holdings Pty Ltd	367,715	0.35%
19	Mr Nicholas Mather & Mrs Judith Mather *	362,858	0.35%
20	Samuel Holdings Pty Ltd *	352,858	0.34%
	Top 20	84,975,503	81.90%
	Total	103,750,000	100.00%

*** merged**

(c) Substantial shareholders

Substantial shareholders as shown in substantial shareholder notices received by the Company at 13 September 2010 are:

Name of Shareholder:	Ordinary Shares:
D'Aguilar Gold Ltd	50,000,000
Tinkler Investments Pty Ltd atf Tinkler Family Trust	19,445,180

(d) Voting rights

All ordinary shares carry one vote per share without restriction.

(e) Restricted securities

On 20 August 2010 52,286,211 ordinary shares and 3,202,692 unlisted options, exercisable at $0.20 each on or before 31 May 2012, were released from ASX escrow.

There are no restricted securities on issue at 13 September 2010.

(f) Business objectives

The Company has used its cash and assets that are readily convertible to cash in a way consistent with its business objectives.

Interests in Tenements

Mt Isa Metals Limited held the following interests in tenements as at 13 September 2010:

Tenement Number	Tenement Name	Location	% Interest	Grant Date	Expiry Date
EPM 15760	Cleanskin	Queensland, Australia	100	5/06/2008	04/06/2013
EPM 15762	Mt Fox	Queensland, Australia	100	5/06/2008	04/06/2013
EPM 15764	Weberra	Queensland, Australia	100	5/06/2008	04/06/2013
EPM 15767	Myally	Queensland, Australia	100	5/06/2008	04/06/2013
EPM 15772	Gregory Two	Queensland, Australia	100	30/10/2008	29/10/2013
EPM 15774	Gregory One	Queensland, Australia	100	10/03/2008	09/03/2013
EPM 15913	Gunpowder	Queensland, Australia	100	15/06/2010	14/06/2012
EPM 15914	Gunpowder Creek	Queensland, Australia	100	21/10/2008	20/10/2012
EPM 15961	Surprise Creek	Queensland, Australia	100	03/03/2008	02/03/2013
EPM 15962	Peartree 2	Queensland, Australia	100	12/03/2008	11/03/2013
EPM 15963	Peartree 1	Queensland, Australia	100	12/03/2008	11/03/2013
EPM 16031	Kamileroi	Queensland, Australia	100	04/11/2008	03/11/2013
EPM 16116	Barbara	Queensland, Australia	100	08/12/2008	07/12/2013
EPM 16119	Gregory Extended	Queensland, Australia	100	5/06/2008	04/06/2013
EPM 16498	Gregory Central	Queensland, Australia	100	09/01/2009	08/01/2014
EPM 16786	Blockade	Queensland, Australia	100	08/12/2008	07/12/2010
EPM 16112 *	Johnnies	Queensland, Australia	49	03/11/2008	02/11/2013
EPM 16197 *	Kamileroi 2	Queensland, Australia	49	03/11/2008	02/11/2013
EPMA 17914	Blockade East	Queensland, Australia	100	-	-
EPMA 17947	Blockade East Extended	Queensland, Australia	100	-	-
EPMA 18217	Isa North Consol	Queensland, Australia	100	-	-
EPMA 18477	Kamileroi 5	Queensland, Australia	100	-	-
EPMA 18481	Kamileroi 3	Queensland, Australia	100	-	-
EPMA 18482	Kamileroi 4	Queensland, Australia	100	-	-
EPMA 18591	Moonamarra	Queensland, Australia	100	-	-
EPMA 18671	Bulonga	Queensland, Australia	100	-	-
EPMA 18757	Coolullah	Queensland, Australia	100	-	-
-	Bissiguin	Burkina Faso, West Africa	100 ^		
08-141	Bogandé	Burkina Faso, West Africa	100 ^	04/08/2008	03/08/2017
09-126	Boungou	Burkina Faso, West Africa	100 ^	05/05/2009	04/05/2018
08-193	Comi-Yanga	Burkina Faso, West Africa	100 ^	24/09/2008	23/09/2017
09-281	Dangou	Burkina Faso, West Africa	100 ^	16/12/2009	15/12/2018
08-243	Dynikongolo	Burkina Faso, West Africa	100 ^	17/12/2008	16/12/2017
09-174	Founa	Burkina Faso, West Africa	100 ^	29/06/2009	28/06/2018
08-195	Gonaba Ouest	Burkina Faso, West Africa	100 ^	29/09/2008	28/09/2017
08-192	Kamsongo	Burkina Faso, West Africa	100 ^	24/09/2008	23/09/2017
08-058	Koutakou	Burkina Faso, West Africa	100 ^	01/04/2008	31/03/2017
09-134	Milpo	Burkina Faso, West Africa	100 ^	19/05/2009	18/05/2018
08-059	Nabanga	Burkina Faso, West Africa	100 ^	01/04/2008	31/03/2017

Tenement Number	Tenement Name	Location	% Interest	Grant Date	Expiry Date
-	Naboudi	Burkina Faso, West Africa	100 ^	-	-
08-151	Nanemi	Burkina Faso, West Africa	100 ^	21/08/2008	20/08/2017
08-132	Ouangoro	Burkina Faso, West Africa	100 ^	10/07/2005	09/07/2014
10-085	Ouargaye	Burkina Faso, West Africa	100 ^	16/01/2007	15/01/2016
-	Pepin	Burkina Faso, West Africa	100 ^	-	-
08-060	Pogoro	Burkina Faso, West Africa	100 ^	01/04/2008	31/03/2017
09-133	Segué	Burkina Faso, West Africa	100 ^	19/05/2009	18/05/2018
09-116	Villibongo	Burkina Faso, West Africa	100 ^	15/04/2009	14/04/2018
08-216	Werinkera	Burkina Faso, West Africa	100 ^	11/11/2008	10/11/2017
08-204	Yacti	Burkina Faso, West Africa	100 ^	17/10/2008	16/10/2017
-	Yaloré	Burkina Faso, West Africa	100 ^	04/08/2008	03/08/2017

* Joint venture tenements with Syndicated Metals Ltd (MET 49%).
^ Option to acquire a 100% interest of granted tenement. Current holders of tenement interests are Burkina Faso landowners.

Corporate Governance Statement

The board of directors of Mt Isa Metals Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Mt Isa Metals Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Mt Isa Metals Limited's Corporate Governance Statement is structured with reference to the Australian Securities Exchange ("ASX") Corporate Governance Council's (the "Council") "Corporate Governance Principles and Recommendations, 2nd Edition", which are as follows:

Principle 1	Lay solid foundations for management and oversight
Principle 2	Structure the board to add value
Principle 3	Promote ethical and responsible decision making
Principle 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of shareholders
Principle 7	Recognise and manage risk
Principle 8	Remunerate fairly and responsibly

A copy of the eight Corporate Governance Principles and Recommendations can be found on the ASX's website.

The Board is of the view that with the exception of the departures from the ASX Guidelines as set out below, it otherwise complies with all of the ASX Guidelines.

ASX Principles and recommendations	**Summary of the Company's Position**
Principle 1 – Lay solid foundations for management and oversight	
Recommendation 1.2 – Companies should disclose the process for evaluating the performance of senior executives	The Board has not established a separate nomination committee. In the absence of a formally constituted nomination committee, the full Board is responsible for proper oversight of the Board, the Directors and senior management. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate committee.
Principle 2 – Structure the board to add value	
Recommendation 2.1 – A majority of the Board should be independent directors	While the Company does not presently comply with this recommendation, the Company may consider appointing further independent directors in the future. The Company believes that given the size and scale of its operations, non-compliance by the Company with this recommendation will not be detrimental to the Company.
Recommendation 2.4 – The board should establish a nomination committee	The Board's view is that the Company is not currently of the size to justify the formation of a separate nomination committee. The Board currently performs the functions of a nomination committee and where necessary will seek advice of external advisors in relation to this role. The Board shall, upon the Company reaching the requisite corporate and commercial maturity, approve the constitution of a nomination committee to assist the Board in relation to the appointment of Directors and senior management.

ASX Principles and recommendations	**Summary of the Company's Position**
Principle 4 – Safeguard integrity in financial reporting	
Recommendation 4.2 – The audit committee should be structured so that it: - Consists only of non-executive directors - Consists of a majority of independent directors - Is chaired by an independent chair, who is not chair of the board - Has at least 3 members	Mr Michele Muscillo is a non-executive director and the current Chairman of the Audit and Risk Management Committee. Mr Muscillo is a Partner with HopgoodGanim Lawyers, the Company's legal advisers. As such, there is a possibility that Mr Muscillo may not be considered to be an independent director as defined in the ASX Guidelines. Mr John Bovard is a non-executive director and the current Chairman of the Board. The Company considers Mr Bovard to be an independent director as defined in the ASX Guidelines. Mr Nicholas Mather is a non-executive director. The Company does not consider Mr Mather to be an independent director as defined in the ASX Guidelines on the basis that he is a director of D'Aguilar Gold Limited, a substantial shareholder in the Company. On the basis of above information, the Company is of the view that there is a possibility that the Committee does not consist of a majority of independent directors. While it is possible that the Company does not presently comply with this Recommendation 4.2, the Company may consider appointing further independent Directors in the future. The Company believes that given the size and scale of its operations, non-compliance by the Company with this Recommendation 4.2 will not be detrimental to the Company.
Principle 8 - Remunerate fairly and responsibly	
Recommendation 8.1 – The board should establish a remuneration committee	The Board has not established a remuneration committee. The Board considers that given its size, no efficiencies or other benefits would be gained by the establishing of such committee. The role of the remuneration committee is carried out by the full Board. The Company has adopted a Remuneration Committee Charter, which is set out in the Company's Corporate Governance Charter.
Recommendation 8.2 – Companies should clearly distinguish the structure of non-executive director's remuneration from that of executive Directors and senior executives	The Corporate Governance Charter sets out the Remuneration Committee Charter. The Board, in the absence of a formally constituted remuneration committee, is responsible for reviewing the remuneration policies and practices of the Company in respect of executive remuneration and incentive plan, remuneration packages for Management and Directors and non-executive director remuneration.

Board

The Board has adopted a formal board charter that outlines the roles and responsibilities of directors and senior executives. The Board Charter has been made publicly available on the Company's website.

The skills, experience and expertise relevant to the position of Director held by each Director on office at the date of the Annual Report is included in the Director's Report. Corporate Governance Council Recommendation 2.1 requires a majority of the Board should be independent Directors. The Corporate Governance Council defines and independent director as a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement.

In the context of Director independence, "materiality" is considered from both the Company and the individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 10% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered included whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

Factors that may impact on a director's independence are considered each time the Board meets.

At the date of this report:
In accordance with the Council's definition of independence above, and the materiality thresholds set, the following Directors are considered to be independent:

Name	Position
John Bovard	Non-Executive Chairman

In accordance with the Council's definition of independence above, and the materiality thresholds set, the following Directors are not considered to be independent:

Name	Position	Reason for non-compliance
Peter Spiers	Managing Director	Mr Spiers is employed by the Company in an executive capacity.
Nicholas Mather	Non-Executive Director	Mr Mather is the Managing Director of D'Aguilar Gold Ltd, as substantial shareholder in the Company.

Mr Michele Muscillo is a Partner with HopgoodGanim Lawyers, the Company's legal advisers. As such, there is a possibility that Mr Muscillo may not be considered to be an independent director as defined in the ASX Guidelines.

Mt Isa Metals Limited considers industry experience and specific expertise, as well as general corporate experience, to be important attributes of its Board members. The Directors noted above have been appointed to the Board of Mt Isa Metals Limited due to their considerable industry and corporate experience.

There are procedures in place, agreed by the board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each Director in office at the date of this report is as follows:

Name	Term in office
John Bovard	2 years 3 months
Peter Spiers	2 years 6 months
Nicholas Mather	3 years 9 months
Michele Muscillo	2 years 3 months

Trading Policy

The Board has adopted a policy and procedure on dealing in the Company's securities by Directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information until it has been released to the market and adequate time has passed for this to be reflected in the security's prices, and during certain pre-determined windows.

The Company's policy regarding dealings by directors in the Company's shares is that directors should never engage in short term trading and should not enter into transactions when they are in possession of price sensitive information not yet released by the Company to the market; or for a period of fourteen (14) days prior to the scheduled (per ASX Listing Rules) release by the Company of (ASX) Quarterly Operations and Cash Flow Reports or such shorter period as may be approved of by the Board of Directors after receipt of notice of intention to buy or sell by a director to other members of the Board.

Directors will generally be permitted to engage in trading (subject to due notification being given to the Chairperson) for a period commencing one (1) business day after the release of (ASX) Quarterly Operations and Cash Flow Reports to the market and for a period commencing one (1) business day following the release of price sensitive information to the market which allows a reasonable period of time for the information to be disseminated among members of the public.

Remuneration and Nomination Committees

Due to the size and scale of operations, Mt Isa Metals Limited does not have separately established Remuneration or Nomination Committees. The full Board carries out the functions of Remuneration and Nomination Committees.

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Company to the Audit and Risk Management Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit and Risk Management Committee are Non-Executive Directors.

The members of the Audit and Risk Management Committee at the date of this report are:
- Michele Muscillo (Chairman)
- John Bovard
- Nicholas Mather

For additional details of directors' attendance at Board and Audit and Risk Management Committee meetings and to review the qualifications of the members of the Audit and Risk Management Committee, please refer to the Directors' Report.

The Audit and Risk Management Charter has been made publicly available on the Company's website.

Risk Management

The Company has developed a basic framework for risk management and internal compliance and control systems which cover organisational, financial and operational aspects of the Company's affairs. Further detail of the Company Risk management Policies can be found within the Audit and Risk Management Committee Charter available on the Company website (www.mtisametals.com.au).

Recommendation 7.2 requires that the Board disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. Business risks are considered regularly by the Board and management. A formal report as to the effectiveness of the management of the Company's material business risks has been provided to the Board.

As required by Recommendation 7.3, the Board has received written assurances from the Managing Director and Chief Financial Officer that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that they system is operating effectively in all material respects in relation to financial reporting risks.

Performance Evaluation

The full Board, in carrying out the functions of the Remuneration and Nomination Committees, considers remuneration and nomination issues annually and otherwise as required in conjunction with the regular meetings of the Board.

No formal performance evaluation of the directors was undertaken during the year ended 30 June 2010.

Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating directors and key executives fairly and appropriately with reference to relevant and employment market conditions. To assist in achieving this objective, the Board links the nature and amount of Executive Director's and Officer's emoluments to the Company's financial and operations performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key Executives
- attraction of quality management to the Company
- performance incentives which allow Executives to share the rewards of the success of Mt Isa Metals Limited

For details on the amount of remuneration and all monetary and non-monetary components for each of the five highest paid (Non-Director) Executives during the period, and for all Directors, please refer to the Remuneration Report within the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of Mt Isa Metals Limited and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, subject to the Company's constitution and prior shareholder approvals, and the Executive team.

Continuous Disclosure Policy

Detailed compliance procedures for ASX Listing Rule disclosure requirements have been adopted by the Company. The Company's Obligation of Disclosure Policy can be found within the Company's Corporate Governance Charter on the Company's website (www.mtisametals.com.au) in the Corporate Governance section.

Communications

The Company has designed a disclosure system to ensure it complies with the ASX's continuous disclosure rules and that information is made available to all investors equally, promoting effective communications with shareholders and encouraging shareholder participation at general shareholder meetings. A copy of the Information Disclosure Program Procedures can be found within the Company's Corporate Governance Charter on the Company's website (www.mtisametals.com.au) in the Corporate Governance section. In addition to corporate and project information generally available on the Company's website, in the Investors section of the Company's website the following information is made available:

- ASX Releases
- Annual Reports
- Quarterly Reports
- Presentations

Other Information

Further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's web site at: http://www.mtisametals.com.au/corporate-governance/

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2010

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Revenue	2	46,153	210,572
Other income	2	1,609	-
Employee benefits expenses		(674,329)	(969,185)
Depreciation and amortisation expenses		(28,884)	(11,466)
Finance costs		(2,731)	-
Legal expenses		(61,959)	(66,356)
Administration and consulting expenses		(346,299)	(288,081)
Other expenses		(974,081)	(342,320)
Profit/(loss) before income tax expense		**(2,040,521)**	**(1,466,836)**
Income tax expense	4	-	-
Net profit/(loss) for the year		**(2,040,521)**	**(1,466,836)**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**(2,040,521)**	**(1,466,836)**
Profit/(Loss) for the year is attributable to:			
Owners of Mt Isa Metals Ltd		**(2,040,521)**	**(1,466,836)**
Total comprehensive income for the year is attributable to:			
Owners of Mt Isa Metals Ltd		**(2,040,521)**	**(1,466,836)**
Earnings/(loss) per share for profit attributable to owners of Mt Isa Metals Ltd:			**Cents**
Basic earnings/(loss) per share (cents per share)	8	(2.0)	(1.5)
Diluted earnings/(loss) per share (cents per share)	8	(2.0)	(1.5)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 30 June 2010

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Current Assets			
Cash and cash equivalents	9	1,243,388	5,056,492
Trade and other receivables	10	60,040	92,207
Other current assets	15	145,042	10,307
Total Current Assets		**1,448,470**	**5,159,006**
Non-Current Assets			
Plant and equipment	13	130,705	72,627
Exploration and evaluation expenditure	14	3,528,464	2,222,888
Other non-current assets	15	52,000	74,500
Total Non-Current Assets		**3,711,169**	**2,370,015**
TOTAL ASSETS		**5,159,639**	**7,529,021**
Current Liabilities			
Trade and other payables	16	439,804	740,848
Total Current Liabilities		**439,804**	**740,848**
TOTAL LIABILITIES		**439,804**	**740,848**
NET ASSETS		**4,719,835**	**6,788,173**
Equity			
Issued capital	17	7,917,300	7,945,117
Reserves	18	957,539	957,539
Accumulated Losses	19	(4,155,004)	(2,114,483)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF MT ISA METALS LIMITED		**4,719,835**	**6,788,173**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2010

	Issued Capital	Accumulated Losses	Reserves	Total
	$	$	$	$
Balance at 1 July 2008	**1,637,916**	**(647,647)**	**320,655**	**1,310,924**
Total comprehensive income for the year				
Profit/(loss) for the year	-	(1,466,836)	-	(1,466,836)
	-	(1,466,836)	-	(1,466,836)
Transactions with owners in their capacity as owners				
Issue of share capital	7,000,000	-	-	7,000,000
Costs associated with issue of share capital	(692,799)	-	90,900	(601,899)
Issue of options	-	-	545,984	545,984
	6,307,201	-	636,884	6,944,085
At 30 June 2009	**7,945,117**	**(2,114,483)**	**957,539**	**6,788,173**
Total comprehensive income for the year				
Profit/(loss) for the year	-	(2,040,521)	-	(2,040,521)
	-	(2,040,521)	-	(2,040,521)
Transactions with owners in their capacity as owners				
Issue of share capital	-	-	-	-
Costs associated with issue of share capital	(27,817)	-	-	(27,817)
Issue of options	-	-	-	-
	(27,817)	-	-	(27,817)
At 30 June 2010	**7,917,300**	**(4,155,004)**	**957,539**	**4,719,835**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the year ended 30 June 2010

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,280,639)	(992,064)
Interest received		46,153	210,572
Interest paid		(2,731)	-
Net cash (outflow)/inflow from operating activities	24	(1,237,217)	(781,492)
Cash Flows from Investing Activities			
Security deposit (payments) / refunds		22,500	(12,000)
Proceeds from receipt of government grant		150,000	-
Proceeds from sale of plant & equipment		2,416	-
Payments for plant and equipment		(87,769)	(69,114)
Payments for exploration and evaluation		(2,663,034)	(1,226,872)
Net cash (outflow)/inflow from investing activities		(2,575,887)	(1,307,986)
Cash Flows from Financing Activities			
Proceeds from issue of shares		-	7,000,000
Capital raising & IPO expenses		-	(446,459)
Net cash (outflow)/inflow from financing activities		-	6,553,541
Net increase/(decrease) in cash held		(3,813,104)	4,464,063
Net cash at beginning of year		5,056,492	592,429
Net cash at end of year	9	1,243,388	5,056,492

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the year ended 30 June 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mt Isa Metals Limited for the year ended 30 June 2010 were authorised for issue in accordance with a resolution of the directors on 15 September 2010 and covers the consolidated entity consisting of Mt Isa Metals Limited and its subsidiaries as required by the Corporations Act 2001.

The financial statements are presented in the Australian currency.

Mt Isa Metals Limited is a company limited by shares, incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange.

Basis of Preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

The financial statements have 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 through debt, equity or farm-out, or the successful exploration and subsequent exploitation of the Company's tenements.

To this end, we note that on 7 September 2010, the Board of Mt Isa Metals announced a 1 for 4 non-renounceable entitlement offer at $0.15 per share to raise approximately $3.9 million which would be separated into two components:
- an accelerated institutional entitlement offer of $1.9 million, and
- a retail entitlement offer raising approximately $2.0 million.

On 9 September 2010 the Company announced the successful completion of the accelerated institutional component (Institutional Offer) of the 1 for 4 non-renounceable entitlement offer (Entitlement Offer) announced on 7 September 2010. The Institutional Offer will raise approximately $1.9 million at offer price of $0.15 per share. Settlement of the Institutional Offer will occur on 23 September 2010.

Proceeds from the Institutional Offer and fully underwritten $2.0 million Entitlement Offer will be utilised in conjunction with existing cash reserves to fund an aggressive gold exploration program in Burkina Faso. This exploration will include significant drilling programs on identified high grade gold prospects.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Mt Isa Metals Limited at the end of the reporting period. A controlled entity is any entity over which Mt Isa Metals Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existences and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that that they were controlled. A list of controlled entities is contained in Note 11 to the financial statements.

In preparing the consolidated financial statements, all inter-group balance and transaction between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Principles of Consolidation (continued)

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to the parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(b) Foreign Currency Translation

The functional and presentation currency Mt Isa Metals Limited is Australian dollars (A$). The functional currency of its controlled entity, MET BF Pty Ltd, that operates in Burkina Faso, West Africa, is CFA Franc (XOF).

Foreign currency transactions are translated into the functional currency using 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 end of the reporting period. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Non-monetary items measured at historical costs continue to be carried at the exchange rate at the day of the transaction.

Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

(c) Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Interest
Revenue is recognised as interest accrues using the effective interest method.

(d) Government Grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants relating to costs are deferred and recognised as income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to assets are deducted from the carrying value of the asset to which they relate. The grants are recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

(e) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income are also recognised directly in other comprehensive income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income Tax (continued)

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation
Mt Isa Metals Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the ‘stand-alone taxpayer’ approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 20 October 2009. The tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group’s taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

(f) Impairment of Assets

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of 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.

Where it is not possible to estimate recoverable amount for an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

(h) Financial Instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the consolidated entity commits itself to either the purchase or sale of the asset (ie. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified ‘at fair value through profit or loss’, in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement
Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:
a. the amount at which the financial asset or financial liability is measured at initial recognition;
b. less principal repayments;
c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
d. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial Instruments (continued)

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments. Classification and subsequent measurement categories are as follows:

(i) Financial assets at fair value through profit or loss
Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.
Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are measured at fair value and included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. .

(v) Financial liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Derivative instruments
Mt Isa Metals Limited and Controlled Entities designates certain derivatives as either:
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the Group's risk management objective and strategy for undertaking various hedge transactions is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

(i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income.

Amounts accumulated in equity are transferred to the statement of comprehensive income in the periods when the hedged item will affect profit or loss.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial Instruments (continued)

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 other financial assets and liabilities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment
At each reporting date, 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.

Financial guarantees
Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:
- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(i) Plant and Equipment

Plant and equipment
Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate portion of fixed and variable costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation
The depreciable amount of all fixed assets is depreciated over their useful life to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	10% - 25% Straight Line
Computer Equipment	33.3% Straight Line
Furniture and Office Equipment	10% - 20% Straight Line
Motor Vehicles	25% Straight Line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. The gains and losses are included in the statement of comprehensive income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

A provision is raised against exploration and evaluation expenditure where the Directors are of the opinion that the carried forward net cost may not be recoverable or the right of tenure in the area lapses. The increase in the provision is charged against the results for the year. 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 has been undertaken on 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 structure, waste removal, and rehabilitation of the site in accordance with clauses of mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted 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 restoration will be completed within one year of abandoning the site.

In considering to include and carry forward exploration, evaluation and development expenditure in accordance with the above principles, the Directors are required to assess a number of risks relating to the relevant tenements, with a particular emphasis on those risks which may lead to the loss or non-renewal of tenements (amongst other matters).

Some of the Company’s tenements are located in Burkina Faso. In addition to the usual geological and exploration risks, the tenements carry additional risks resulting from operating in that jurisdiction, including the following:

- Geo-political and government risk, including the risk that laws or policies may change which adversely affect the Company’s tenements;
- The risk of forfeiture or non-renewal of the Company’s tenements as a result of certain known failures by the registered holders to comply with the conditions of grant (including minimum expenditure requirements);
- Contractual and legal risk, to the extent that counterparties to contracts fail to comply with the obligations to deliver title in circumstances where a legal remedy may be impossible or impractical to obtain.

The risks may result in loss of title to tenements and have a consequent impact on the ability to carry forward exploration, evaluation and development expenditure.

(k) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms.

(l) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the end of the reporting period are recognised in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements.

(m) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Issued Capital

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

(o) Share-Based Payments

The Group provides benefits to employees in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions").

The fair value of options granted to employees and consultants are recognised as an employee benefit expense with a corresponding increase in equity (option reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. Fair value is determined by an independent valuer using a Black-Scholes option pricing model. In determining fair value, no account is taken of any performance conditions other than those related to the share price of Mt Isa Metals Limited ("market conditions"). The cumulative expense recognised between grant date and vesting date is adjusted to reflect the directors' best estimate of the number of options that will ultimately vest because of internal conditions of the options, such as the employees having to remain with the Group until vesting date, or such that employees are required to meet internal sales targets. No expense is recognised for options that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to profit or loss. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

(p) Earnings per Share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to members of Mt Isa Metals Limited by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

Diluted earnings per share
Earnings used to calculate diluted earnings per share are calculated by adjusting the amount used in determining basic earnings per share by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) GST

Revenues, expenses are recognised net of GST except where 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.

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 statements 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.

(r) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 (applicable for annual reporting periods commencing on or after 1 January 2013).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) New Accounting Standards for Application in Future Periods (continued)

These standards amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
  - the objective of the entity's business model for managing the financial assets; and
  - the characteristics of the contractual cash flows.

Other new and amended standards and interpretations are not expected to impact the Group.

(s) Accounting Estimates and Judgments

Critical accounting estimates and judgements
Details of critical accounting estimates and judgements about the future made by management at the end of the reporting period are set out below:

(i) Key estimates – share-based payments
The Group uses estimated to determine the fair value of equity instruments issued to directors, executives and employees. Further detail of estimates used in determining the value of share-based payments is included in Note 25.

(ii) Key estimates – impairment
The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. No assets are considered impaired at year end.

(iii) Key judgements – exploration & evaluation expenditure
The Group performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. While there are certain areas of interest from which no reserves have been extracted, the directors are of 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 $3,528,464 (2009: $2,222,888).

(t) Determination and Presentation of Operating Segments

The Group has applied AASB 8 Operating Segments and its associated amending standards from 1 July 2009. As of 1 July 2009 the Group determines and presents operating segments based on information that is internally provided to the board of directors, who are the Group's chief operating decision makers.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the board to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available.

Segment results that are reported to the board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate office assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact

(i) Terminology changes
The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

(ii) Reporting changes in equity
The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

(iii) Statement of comprehensive income
The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement. The Group's financial statements now contain a statement of comprehensive income.

(iv) Other comprehensive income
The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

	Note	Consolidated Entity	
		2010	**2009**
		$	**$**
NOTE 2 REVENUE AND OTHER INCOME			
Revenue			
- interest received	2(a)	46,153	210,572
Total revenue		46,153	210,572
Other income			
- gain on sale of equipment		1,609	-
Total other income		1,609	-
(a) Interest revenue from:			
- other persons		46,153	210,572
Total interest revenue		46,153	210,572

	Note	Consolidated Entity 2010 $	2009 $
NOTE 3 PROFIT/(LOSS)			
Profit(loss) before income tax includes the following specific expenses:			
Depreciation			
Plant & equipment		28,884	11,466
Finance costs			
Interest paid		2,731	-
Write-off of capitalised exploration expenditure		765,752	152,160
Share based payments (options)		-	545,984
Exchange differences		4,148	-

NOTE 4 INCOME TAX EXPENSE

The prima facie income tax on the loss is reconciled to the income tax expense as follows:

		2010 $	2009 $
Prima facie tax benefit (30%) on loss before income tax		(612,156)	(440,051)
Add tax effect of:			
- Deferred tax not recognised on current year loss		1,048,061	963,691
- Other temporary differences		-	-
		435,905	523,640
Less tax effect of:			
- Deductible items recognised in equity		(47,123)	(47,123)
- Other temporary differences		(388,782)	(476,517)
		(435,905)	(523,640)
Income tax expense		-	-
Unrecognised deferred tax assets			
Unused tax losses		2,386,401	1,338,340
Deductible temporary differences		139,752	215,622
Underprovision for income tax in prior year		-	(31,639)
		2,526,153	1,522,323
Unrecognised deferred tax liabilities			
Assessable temporary differences		1,058,539	666,866
		1,058,539	666,866
Unrecognised deferred tax liabilities relating to the above temporary differences at 30%		-	-

There are no franking credits available to shareholders of the Company.

NOTE 4 INCOME TAX EXPENSE (continued)

The above deferred tax liability has not been recognised as there are sufficient tax losses for which no deferred tax asset has been recognised to offset the potential deferred tax liability

In order to recoup carried forward losses in future periods, either the Continuity of Ownership Test (COT) or Same Business Test much be passed. The majority of losses are carried forward at 30 June 2010 under COT

Deferred tax assets which have not been recognised as an asset, will only be obtained if:

(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;

(ii) the Group continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect eh economic entity in realising the losses.

NOTE 5 KEY MANAGEMENT PERSONNEL

(a) Key management personnel compensation

	2010 $	2009 $
Short-term employee benefits	942,430	631,565
Post-employment benefits	55,685	36,234
Termination benefits	20,046	-
Share-based payments	-	498,591
	1,018,161	**1,166,390**

Further information regarding the identity of key management personnel and their compensation can be found in the Audited Remuneration Report contained in the directors' report on pages 23 to 28 of this annual report.

(b) Equity instruments

Shareholdings

Details of ordinary shares held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

	Balance 1 July 2009	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2010
Directors					
John Bovard	20,000	-	-	-	20,000
Peter Spiers	71,429	-	-	-	71,429
Nicholas Mather	765,716	-	-	10,000	775,716
Michele Muscillo	25,000	-	-	-	25,000
Senior Management					
Ann Ledwidge	-	-	-	-	-
Peter Ledwidge	-	-	-	-	-
Andrew Bowden	-	-	-	-	-
Duncan Cornish	322,358	-	-	305,000	627,358
Total	**1,204,503**	**-**	**-**	**315,000**	**1,519,503**

There were no shares held nominally at 30 June 2010.

NOTE 5 KEY MANAGEMENT PERSONNEL (continued)

(b) Equity instruments (continued)

Shareholdings (continued)

	Balance 1 July 2008	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2009
Directors					
John Bovard	-	-	-	20,000	20,000
Peter Spiers	71,429	-	-	-	71,429
Nicholas Mather	142,858	-	-	622,858	765,716
Michele Muscillo	-	-	-	25,000	25,000
Senior Management					
Andrew Bowden	-	-	-	-	-
Duncan Cornish	107,143	-	-	215,215	322,358
Total	**321,430**	**-**	**-**	**883,073**	**1,204,503**

There were no shares held nominally at 30 June 2009.

Options holdings

	Balance 1 July 2009	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2010	Total vested at 30 June 2010	Total vested and exercisable at 30 June 2010	Total vested and unexercisable at 30 June 2010
Directors								
John Bovard	500,000	-	-	-	500,000	500,000	500,000	-
Peter Spiers	3,747,619	-	-	-	3,747,619	3,747,619	3,747,619	-
Nicholas Mather	690,478	-	-	-	690,478	690,478	690,478	-
Michele Muscillo	500,000	-	-	-	500,000	500,000	500,000	-
Senior Management								
Ann Ledwidge	-	-	-	-	-	-	-	-
Peter Ledwidge ^	200,000	-	-	-	200,000	200,000	200,000	-
Andrew Bowden *	500,000	-	-	-	500,000	500,000	500,000	-
Duncan Cornish	571,430	-	-	-	571,430	571,430	571,430	-
Total	**6,709,527**	**-**	**-**	**-**	**6,709,527**	**6,709,527**	**6,709,527**	**-**

^ Options were issued is the previous financial year
* Andrew Bowden's options were forfeited on 6 September 2010 due to ending of his employment contract, pursuant to the terms of the Employee Share and Option Scheme.

	Balance 1 July 2008	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2009	Total vested at 30 June 2009	Total vested and exercisable at 30 June 2009	Total vested and unexercisable at 30 June 2009
Directors								
John Bovard	-	500,000	-	-	500,000	500,000	500,000	-
Peter Spiers	47,619	3,700,000	-	-	3,747,619	3,747,619	3,747,619	-
Nicholas Mather	190,478	500,000	-	-	690,478	690,478	690,478	-
Michele Muscillo	-	500,000	-	-	500,000	500,000	500,000	-
Senior Management								
Andrew Bowden	-	500,000	-	-	500,000	500,000	500,000	-
Duncan Cornish #	821,430	500,000	-	(750,000)	571,430	571,430	571,430	-
Total	**1,059,527**	**6,200,000**	**-**	**(750,000)**	**6,509,527**	**6,509,527**	**6,509,527**	**-**

During the year ended 30 June 2009, 750,000 unlisted $0.25 options, previously issued to Duncan Cornish as remuneration, expired.

(c) Loans to Key Management Personnel

There were no loans to Key Management Personnel during the year.

(d) Other transactions and balances

Other transactions with Key Management Personnel are set out in Note 27 (d). There were no other transactions or balances with Key Management Personnel during the year.

NOTE 6 DIVIDENDS & FRANKING CREDITS

There were no dividends paid or recommended during the financial year.

There were no franking credits available to the shareholders of the Company.

	Note	Consolidated Entity	
		2010	2009
		$	$
NOTE 7 AUDITORS' REMUNERATION			
Audit services			
Amounts paid/payable to BDO Audit (QLD) Pty Ltd for audit or review of the financial statements for the entity or any entity in the group		27,292	18,514
Taxation services			
Amounts paid/payable to BDO Audit (QLD) Pty Ltd for non-audit taxation services performed for the entity or any entity in the group:			
- Preparation of income tax return		12,875	7,055
		40,167	25,569

NOTE 8 EARNINGS PER SHARE

Basic earnings per share			
Profit from continuing operations		(2,040,521)	(1,466,836)
Profit from continuing operations attributable to non-controlling interests		-	-
Profit from continuing operations attributable to owners of Mt Isa Metals Limited used to calculate basic earnings per share		(2,040,521)	(1,466,836)
Profit from discontinued operations			-
Profit attributable to owners of Mt Isa Metals Limited used to calculate basic earnings per share		(2,040,521)	(1,466,836)
Diluted earnings per share			
Profit from continuing operations attributable to owners of Mt Isa Limited used to calculate basic earnings per share		(2,040,521)	(1,466,836)
Interest savings on convertible notes, options, convertible preference shares		-	-
Profit from continuing operations attributable to owners of Mt Isa Metals Limited used to calculate diluted earnings per share		(2,040,521)	(1,466,836)
Profit from discontinued operations		-	-
Profit attributable to owners of Mt Isa Metals Limited used to calculate diluted earnings per share		(2,040,521)	(1,466,836)

NOTE 8 EARNINGS PER SHARE (continued)

	2010 Number	2009 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	103,750,000	99,626,712
Adjustments for calculation of diluted earnings per share:		
- Options *	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	103,750,000	99,626,712

* Options are considered anti-dilutive as the Company is loss making.

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $
NOTE 9 CASH & CASH EQUIVALENTS			
Cash at bank and in hand		1,243,388	5,056,492

Cash in hand is non-interest bearing. Cash at bank bear floating interest rates between 1 and 2% (2009: 2 and 4%).

Reconciliation of Cash

The above figures are reconciled to the cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	1,243,388	5,056,492
Balances per statements of cash flows	1,243,388	5,056,492

NOTE 10 TRADE & OTHER RECEIVABLES

Current		
GST receivable	54,963	92,207
Sundry receivables	5,077	-
	60,040	92,207

No receivables balances are past due or impaired at the end of the reporting period.

NOTE 11 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(a).

Name of entity	Country of Incorporation	Class of Shares	Percentage Owned (%)* 2010	Percentage Owned (%)* 2009
MET BF Pty Ltd	Australia	Ordinary	100%	-

* the proportion of ownership interest is equal to the proportion of voting power held.

NOTE 12 JOINT VENTURES

The Group has a 49% interest in a joint venture arrangement for EPMs 16112 and 16197. The other party to the joint venture is Syndicated Metals Limited. The Group's share of the expenditure commitment for this joint venture over the next 5 years is $235,200 which has been recognised in Note 21 Commitments.

At 30 June 2009, the Group had a 20% interest in a joint venture arrangement for EPMs 14753 and 15763 and applications EPMAs 17333, 17437, 17443, 17446 and MLA 90190. The other party to the joint venture was Legend International Holdings, Inc.

On 29 September 2009 the Group reached agreement with Legend to exit from the D-Tree Joint Venture. Legend, as manager of the D-Tree Joint Venture, had invoiced the Group $1.739 million for the Group's 20% interest in the D-Tree project for the period 1 September 2008 - 30 June 2009. The Group decided to dilute rather than pay the invoices and in accordance with the Joint Venture agreement, the Group's interest has been reduced to less than 5%, thus requiring the Group to exit the Joint Venture.

The Group is entitled to a royalty of A$0.50 per tonne from any future phosphate product derived from the former D-Tree Joint Venture tenements.

		Consolidated Entity	
	Note	**2010**	**2009**
		$	**$**
NOTE 13 PLANT & EQUIPMENT			
Plant and equipment			
At cost		112,472	40,131
Accumulated depreciation		(19,833)	(5,104)
		92,639	35,027
Computer equipment			
At cost		42,623	35,912
Accumulated depreciation		(21,344)	(8,339)
		21,279	27,573
Furniture and office equipment			
At cost		12,839	10,504
Accumulated depreciation		(1,627)	(477)
		11,212	10,027
Motor Vehicles			
At cost		5,575	-
Accumulated depreciation		-	-
		5,575	-
Total plant and equipment		**130,705**	**72,627**

NOTE 13 PLANT & EQUIPMENT (continued)

(a) Movements in carrying amounts

2010	Plant and equipment	Computer equipment	Furniture and office equipment	Motor Vehicles	Total
	$	$	$	$	$
Balance at the beginning of the year	35,027	27,573	10,027	-	72,627
Additions	73,148	6,711	2,335	5,575	87,769
Disposals	(807)	-	-	-	(807)
Depreciation expense	(14,729)	(13,005)	(1,150)	-	(28,884)
Carrying amount at the end of the year	92,639	21,279	11,212	5,575	130,705

2009	Plant and equipment	Computer equipment	Furniture and office equipment	Motor Vehicles	Total
	$	$	$	$	$
Balance at the beginning of the year	10,958	4,021	-	-	14,979
Additions	27,360	31,250	10,504	-	69,114
Disposals	-	-	-	-	-
Depreciation expense	(3,291)	(7,698)	(477)	-	(11,466)
Carrying amount at the end of the year	35,027	27,573	10,027	-	72,627

	Note	Consolidated Entity	
		2010	2009
		$	$
NOTE 14 EXPLORATION AND EVALUATION EXPENDITURE			
Non-Current			
Exploration and evaluation expenditure capitalised			
- exploration and evaluation phases		3,528,464	2,222,888

Recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation of copper-gold and gold deposits, or alternatively, sale of the respective areas of interest.

As described in Note 1(i), the ongoing ability to carry exploration and evaluation expenditure in the manner is subject to a number of risks. Please see Note 1(i) for details.

(a) Movements in carrying amounts

	2010	2009
Balance at the beginning of the year	2,222,888	594,494
Additions	2,071,328	1,780,554
Written-off *	(765,752)	(152,160)
Carrying amount at the end of the year	3,528,464	2,222,888

* Amounts written-off during the financial year relate to areas of interest which have been surrendered as the directors did not see a commercial value in continuing exploration in the area, as well as, competitive tenement applications that were unsuccessful.

During the financial year, Mt Isa Metals received a grant of $150,000 from the Queensland Department of Mines and Energy under Round 3 of the Collaborative Drilling Initiative, designed to directly support companies in the generation and testing of high quality, innovative exploration targets and concepts throughout Queensland. The grant was utilised in meeting the cost of two deep diamond drill holes within MET's 100% owned Gregory Project, located 240km north of Mt Isa. The amount of the grant has been deducted from the carrying value of exploration and evaluation expenditure in accordance with the accounting policy described in note 1(c).

Commitments for exploration and evaluation expenditure are disclosed in Note 21.

NOTE 15 OTHER ASSETS

Current		
Prepayments	145,042	10,307
Non-Current		
Security deposits	52,000	74,500

NOTE 16 TRADE & OTHER PAYABLES

Current		
Trade payables	303,422	614,547
Sundry payables and accrued expenses	95,989	105,960
Employee benefits	40,393	20,341
	439,804	740,848

NOTE 17 ISSUED CAPITAL

103,750,000 fully paid ordinary shares (2009: 103,750,000)	8,769,744	8,769,744
Share issue costs	(852,444)	(824,627)
	7,917,300	7,945,117

Note	2010 Number	2009 Number
(a) Ordinary shares		
At the beginning of the year	103,750,000	68,750,000
Shares issued during the year		
- 13 August 2008 (1)	-	35,000,000
At reporting date	**103,750,000**	**103,750,000**

(1) On 13 August 2008, 35,000,000 shares were issued pursuant to an Initial Public Offering, raising $7 million.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Options

For information relating to the Mt Isa Metals Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end refer to Note 25.

(c) Capital Risk Management

Management controls the capital of the Group in order to provide capital growth to shareholders and ensure the Group can fund its operations and continue as a going concern.

The Group's capital comprises equity as show in the Statement of Financial Position. 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 the market. These responses include the management of share issues.

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

	Note	Consolidated Entity 2010 $	2009 $
NOTE 18 RESERVES			
Option Reserve – capital raising		411,555	411,555
Option Reserve – director and employee options		545,984	545,984
		957,539	957,539

The option reserve records the value of options issued as part of capital raisings, as well as expenses relating to director and employee share options.

	Note	Consolidated Entity 2010 $	2009 $
NOTE 19 ACCUMULATED LOSSES			
Accumulated losses attributable to members of Mt Isa Metals Limited at beginning of the financial year		(2,114,483)	(647,647)
Losses after income tax		(2,040,521)	(1,466,836)
Accumulated losses attributable to members of Mt Isa Metals Limited at the end of the financial year		(4,155,004)	(2,114,483)

NOTE 20 PARENT ENTITY INFORMATION

The Corporations Act requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by the new regulation 2M.3.01 which requires the following limited disclosure in regards to the parent entity (Mt Isa Metals Limited). The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policy described in Note 1(a).

Parent Entity	2010 $	2009 $
Current assets	1,269,141	5,159,006
Non-current assets	4,173,053	2,370,015
Total assets	5,442,194	7,529,021
Current liabilities	438,249	740,848
Total liabilities	438,249	740,848
Net assets	**5,003,945**	**6,788,173**
Issued capital	7,917,300	7,945,117
Reserves	957,539	957,539
Accumulated losses	(3,870,894)	(2,114,483)
Total shareholder’s equity	**5,003,945**	**6,788,173**
Profit / (loss) for the year	**(1,756,411)**	**(1,466,836)**
Total comprehensive income for the year	**(1,756,411)**	**(1,466,836)**

NOTE 20 PARENT ENTITY INFORMATION (continued)

Guarantees

No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries.

Contractual Commitments

There were no contractual commitments for the acquisition of property, plant and equipment entered into by the parent entity at 30 June 2010 (2009 - nil).

Contingent liabilities

The parent entity has no contingent liabilities.

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $
NOTE 21 COMMITMENTS			
(a) Future Exploration			

The Group has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Group.

The commitments to be undertaken are as follows:

Payable		2010 $	2009 $
- not later than 12 months		3,494,332	1,525,883
- between 12 months and 5 years		13,044,763	6,760,586
- greater than 5 years		5,850,926	-
		22,390,021	8,286,469

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Group has the option to negotiate new terms or relinquish the tenements. The Group also has the ability to meet expenditure requirements by joint venture or farm-in agreements.

(b) Option Payments

The Group has secured a number of option agreements over gold exploration permits in Burkina Faso. These agreements provide for a three year option period and include up-front payments and staged annual cash payments

If the Group elects to participate to the end of the third year, 100% ownership of the permit will be transferred to the Group. The Group has a right to withdraw from the agreement at any time. The vendor will be entitled to a 1.5% net smelter royalty over any gold produced from the permit.

The commitments to be undertaken are as follows:

Payable		2010 $	2009 $
- not later than 12 months		683,000	-
- between 12 months and 5 years		2,125,915	-
- greater than 5 years		-	-
		2,808,915	-

NOTE 22 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTE 23 OPERATING SEGMENTS

Segment information

Identification of operating 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.

The Group operates in the mineral exploration sector where the Group is actively pursuing opportunities.

The Group is managed primarily of the basis of geographical location of its exploration activities as the regulatory environment is different in Australia and West Africa.

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being 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.

(b) Inter-segment transactions

Corporate charges are allocated to segments based on the segments' overall proportion of exploration expenditure within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

(c) Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(d) Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(e) Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets and other non-recurring items of revenue or expense
- income tax expense
- deferred tax assets and liabilities
- current tax liabilities
- other financial liabilities
- intangible assets

(f) Comparative information

This is the first reporting period in which AASB 8 has been adopted. Comparative information has been restated to conform to the requirements of this standard.

NOTE 23 OPERATING SEGMENTS (continued)

30 June 2010	**Australia**	**West Africa**	**Total**
	$	**$**	**$**
(i) Segment performance			
Revenue			
External revenue	-	1,609	1,609
Interest revenue	46,153	-	46,153
Total segment revenue	46,153	1,609	47,762
Reconciliation of segment revenue to group revenue			
Inter-segment elimination			-
Total group revenue			47,762
Segment net loss before tax	(1,395,552)	(205,096)	(1,600,648)
Reconciliation of segment result to group net profit / loss before tax			
Amounts not included in segment result but reviewed by Board			
- corporate charges	(329,244)	(79,014)	(408,258)
- depreciation and amortisation	(28,884)	-	(28,884)
Unallocated items			
- finance costs			(2,731)
- other			-
Net loss before tax			(2,040,521)
(ii) Segment assets			
Segment assets	5,442,194	495,245	5,937,439
Segment asset increases for the period:			
- Exploration & evaluation expenditure	1,760,986	310,342	2,071,328
- Capital expenditure (plant & equipment)	82,194	5,575	87,769
- Acquisitions	-	-	-
	1,843,180	315,917	2,159,097
Reconciliation of segment assets to group assets			
Inter-segment eliminations			(777,800)
Unallocated assets:			
- Derivative assets			-
- Deferred tax assets			-
Total group assets			5,159,639
(iii) Segment liabilities			
Segment liabilities	438,249	779,256	1,217,505
Reconciliation of segment liabilities to group liabilities			
Inter-segment eliminations			(777,701)
Unallocated liabilities:			
- Retirement benefit obligations			-
- Deferred tax liabilities			-
- Other financial liabilities			-
- Current tax liabilities			-
Total group liabilities			439,804

NOTE 23 OPERATING SEGMENTS (continued)

30 June 2009	Australia	West Africa	Total
	$	$	$
(i) Segment performance			
Revenue			
External revenue	-	-	-
Interest revenue	210,572	-	210,572
Total segment revenue	210,572	-	210,572
Reconciliation of segment revenue to group revenue			
Inter-segment elimination			-
Total group revenue			210,572
Segment net loss before tax	(1,100,933)	-	(1,100,933)
Reconciliation of segment result to group net profit / loss before tax			
Amounts not included in segment result but reviewed by Board			
- corporate charges	(354,437)	-	(354,437)
- depreciation and amortisation	(11,466)	-	(11,466)
Unallocated items			
- finance costs	-	-	-
- other	-	-	-
Net loss before tax	(1,466,836)	-	(1,466,836)
(ii) Segment assets			
Segment assets	7,529,021	-	7,529,021
Segment asset increases for the period:			
- Exploration & evaluation expenditure	1,780,554	-	1,780,554
- Capital expenditure (plant & equipment)	69,114	-	69,114
- Acquisitions	-	-	-
	1,849,668	-	1,849,668
Reconciliation of segment assets to group assets			
Inter-segment eliminations			-
Unallocated assets:			
- Derivative assets			-
- Deferred tax assets			-
Total group assets			7,529,021
(iii) Segment liabilities			
Segment liabilities	740,848	-	740,848
Reconciliation of segment liabilities to group liabilities			
Inter-segment eliminations			-
Unallocated liabilities:			
- Retirement benefit obligations			-
- Deferred tax liabilities			-
- Other financial liabilities			-
- Current tax liabilities			-
Total group liabilities			740,848

	Note	Consolidated Entity 2010 $	2009 $

NOTE 24 CASH FLOW INFORMATION

(a) Reconciliation of profit/(loss) after income tax to net cash flow from operating activities

		2010 $	2009 $
Loss for the year		(2,040,521)	(1,466,836)
Depreciation		28,884	11,466
Write-off of capitalised expenditure		765,752	152,160
Gain on disposal of plant and equipment		(1,609)	-
Share options expensed		-	545,984
Change in operating assets and liabilities:			
- (Increase)/decrease in trade and other receivables		4,349	(41,377)
- (Increase)/decrease in other assets		(16,268)	(10,307)
- Increase/(decrease) in trade payables and accruals		22,196	27,418
Net cash flow from operating activities		(1,237,217)	(781,492)

NOTE 25 SHARE-BASED PAYMENTS

The following share based payment arrangements existed at 30 June 2010.

(a) Share-based payments to directors, executives and employees

During the year ended 30 June 2010 there were no options issued to directors, senior management or employees of the Company.

During the year ended 30 June 2009 the following options were issued to directors, senior management and employees of the Company:

- 3,700,000 $0.20 options expiring 20 August 2011 issued to the Managing Director, Peter Spiers;
- 1,500,000 $0.25 options expiring 20 August 2011 issued to the Non-Executive Directors; and
- 1,300,000 $0.25 options expiring 30 June 2012 issued to Senior Management and employees.

All options were issued by Mt Isa Metals Limited and entitle the holder to one ordinary share in Mt Isa Metals Limited for each option exercised. The options were granted for nil consideration and vested immediately upon issue. Once vested, options can be exercised at any time up to the expiry date.

	2010		2009	
	No. of options	Weighted average exercise price $	No. of options	Weighted average exercise price $
Outstanding at beginning of year	6,500,000	0.22	3,000,000	0.25
Granted	-	-	6,500,000	0.22
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	(3,000,000)	0.25
Sub-division	-	-	-	-
Outstanding at year-end	6,500,000	0.22	6,500,000	0.22
Exercisable at year-end	6,500,000	0.22	6,500,000	0.22

The options outstanding at 30 June 2010 had a weighted average exercise price of $0.22 (2009: $0.22) and weighted average remaining contractual life of 1.31 years (2009: 2.31 years). Exercise prices range from $0.20 to $0.25 in respect of options outstanding at 30 June 2010 (2009: $0.20 to $0.25).

NOTE 25 SHARE-BASED PAYMENTS (continued)

(a) Share-based payments to directors, executives and employees (continued)

Pursuant to the Company's, Incentive Option Scheme, if an employee ceases to be any employed by the Company then options will expire three months from the date employment ceases.

The weighted average fair value of the options granted during the year ended 30 June 2009 was $0.09. This price was calculated by using a Black Scholes options pricing model applying the following inputs:

Weighted average exercise price	$0.22
Weighted average life of the option	3 years
Underlying share price	$0.20
Expected share price volatility	65.44%
Risk free interest rate	5.99%

Historical volatility has been the basis for determining expected share price volatility.

The expected life of the options has been taken to be the full period of time from grant date to expiry date. The options pricing model assumes that options will be exercised on or immediately before the expiry date.

The settlement method for the above options is on a 1:1 basis. During the year no options were exercised into ordinary shares.

As there were no options issued to directors, senior management or employees of the Company during the financial year the amount included under Employee Benefits Expense in the Statements of Comprehensive Income is nil (2009: $545,984).

(b) Other share-based payments

During the year ended 30 June 2010 there were no other share-based payments.

During the year ended 30 June 2009 the Company issued 900,000 $0.20 options expiring 31 May 2012 as part of the fees paid to the underwriter to the Initial Public Offering, pursuant to an underwriting agreement dated 23 June 2008. Pursuant to the agreement the underwriter agreed to underwrite the offer to the extent of $7 million and the Company agreed to pay the underwriter a 5% fee of the underwritten amount along with 900,000 $0.20 options expiring 31 May 2012. Official quotation of the Company's shares on the ASX commenced on 22 August 2008 and, having met the requirements of the agreement, the Company issued the options to the underwriter. The options vested immediately. They can be exercised at any time up to the expiry date.

The weighted average fair value of the underwriter options granted during the year ended 30 June 2009 was $0.10. This price was calculated by using a Black Scholes options pricing model applying the following inputs:

Weighted average exercise price	$0.20
Weighted average life of the option	3.78 years
Underlying share price	$0.20
Expected share price volatility	60.00%
Risk free interest rate	6.18 %

Historical volatility has been the basis for determining expected share price volatility.

The expected life of the options has been taken to be the full period of time from grant date to expiry date. The options pricing model assumes that options will be exercised on or immediately before the expiry date.

The settlement method for the above options is on a 1:1 basis. During the year no underwriter options were exercised into ordinary shares.

As there were no other share based payments during the financial year the amount included as a Share Issue Cost within Issued Capital in the Statements of Financial Position is nil (2009: $90,900).

NOTE 26 EVENTS AFTER BALANCE DATE

On 20 July 2010, 100,000 unlisted options exercisable at 25 cents on or before 30 June 2012, were forfeited as a result of the end of an employment contract pursuant to the terms of the Employee Share and Option Scheme.

On 31 July 2010, 800,000 unlisted options to take up one ordinary share in Mt Isa Metals Limited at an issue price of 20 cents expired.

On 6 September 2010, 500,000 unlisted options exercisable at 25 cents on or before 30 June 2012, were forfeited as a result of the end of an employment contract pursuant to the terms of the Employee Share and Option Scheme.

On 7 September 2010, the Board of Mt Isa Metals announced a 1 for 4 non-renounceable entitlement offer at $0.15 per share to raise approximately $3.9 million which would be separated into two components:

- an accelerated institutional entitlement offer of $1.9 million, and
- a retail entitlement offer raising approximately $2.0 million.

On 9 September 2010 the Company announced the successful completion of the accelerated institutional component (Institutional Offer) of the 1 for 4 non-renounceable entitlement offer (Entitlement Offer) announced on 7 September 2010. The Institutional Offer will raise approximately $1.9 million at offer price of $0.15 per share. Settlement of the Institutional Offer will occur on 23 September 2010.

Proceeds from the Institutional Offer and fully underwritten $2.0 million Entitlement Offer will be utilised in conjunction with existing cash reserves to fund an aggressive gold exploration program in Burkina Faso. This exploration will include significant drilling programs on identified high grade gold prospects.

There have been no other events since 30 June 2010 that impact upon the financial report as at 30 June 2010.

NOTE 27 RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Parent entity

The parent entity and ultimate controlling entity is Mt Isa Metals Limited, which is incorporated in Australia.

(b) Subsidiaries

Interests in subsidiaries are disclosed in Note 11.

(c) Key management personnel

Disclosures relating to key management personnel are set out in the Remuneration Report contained in the Directors' Report and in Note 5 of the Financial Statements.

(d) Transactions with directors and director-related entities

(i) The Company has a Services Agreement with D'Aguilar Gold Limited 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.

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 commences from the date of incorporation of the Company up to the Completion of the IPO and then continues for a period of one year from the date the Company's Shares are first quoted on ASX.

The Company must carry out a review of the performance of D'Aguilar's 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.

NOTE 27 RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with directors and director-related entities (continued)

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 year ended 30 June 2010 $61,541 (2009: $131,883) has been incurred from D'Aguilar under the service agreement. An amount of $8,733 (2009: $22,580) was owing to D'Aguilar under the Service Agreement at 30 June 2010.

(iii) Mr Michele Muscillo, a non-executive director of the Company, is a Partner with HopgoodGanim Lawyers, the Company's legal advisers.

During the financial year the Company incurred legal expenses of $31,497 (2009: $79,257) from HopgoodGanim Lawyers. An amount of $11,805 (2009: $1,161) was owing to HopgoodGanim Lawyers in relation to legal expenses at 30 June 2010.

(e) Share and Option transactions of Directors and Director-Related Entities are shown in Note 5 of the Financial Statements.

(f) Details of transactions and balances in relation to joint ventures are shown in Note 12 of the Financial Statements.

NOTE 28 FINANCIAL RISK MANAGEMENT

(a) General objectives, policies and processes

In common with all other businesses, the consolidated entity is exposed to risks that arise from its use of financial instruments. This note describes the consolidated entity's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the consolidated entity's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The consolidated entity's financial instruments consist mainly of deposits with banks, security deposits and accounts payable.

The Board has overall responsibility for the determination of the consolidated entity's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the consolidated entity's finance function. The consolidated entity's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the consolidated entity where such impacts may be material.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the consolidated entity's competitiveness and flexibility. Further details regarding these policies are set out below:

(b) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the consolidated entity incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the consolidated entity. The consolidated entity's objective is to minimise the risk of loss from credit risk exposure.

The consolidated entity's maximum exposure to credit risk at the end of the reporting period, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset at reporting date, is as follows:

	Note	Consolidated Entity	
		2010	2009
		$	$
Cash and cash equivalents		1,243,388	5,056,492
Receivables		60,040	92,207
Security deposits		52,000	74,500
		1,355,428	5,223,199

NOTE 28 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit Risk (continued)

The maximum exposure to credit risk at the end of the reporting period by country is as follows:

	Note	Consolidated Entity	
		2010	**2009**
		$	**$**
Australia		1,176,145	5,223,199
Burkina Faso		179,283	-
		1,355,428	5,223,199

Credit risk is reviewed regularly by the Board and the audit committee. It arises from exposure to customers (trade receivables) as well as through deposits with financial institutions.

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. No receivables balances were past due or impaired at year end. The credit quality of receivables that are neither past due nor impaired is good. Bank deposits are held with Macquarie Bank Limited (Australia) and Ecobank (Burkina Faso).

(c) Liquidity Risk

Liquidity risk is the risk that the consolidated entity may encounter difficulties raising funds to meet financial obligations as they fall due. The object of managing liquidity risk is to ensure, as far as possible, that the consolidated entity will always have sufficient liquidity to meets its liabilities when they fall due, under both normal and stressed conditions.

Liquidity risk is reviewed regularly by the Board and the audit committee.

The consolidated entity manages liquidity risk by monitoring forecast cash flows and liquidity ratios such as working capital. The consolidated entity's working capital, being current assets less current liabilities has decreased from $4,418,158 in 2009 to $1,008,666 in 2010.

	Carrying Amount	Contractual Cash flows	<6 months	6 – 12 months	1 – 3 years	>3 years
MATURITY ANALYSIS – GROUP – 2010						
Financial Liabilities						
- Trade and other payables	439,804	439,804	439,804	-	-	-

	Carrying Amount	Contractual Cash flows	<6 months	6 – 12 months	1 – 3 years	>3 years
MATURITY ANALYSIS – GROUP – 2009						
Financial Liabilities						
- Trade and other payables	740,848	740,848	740,848	-	-	-

(d) Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). The Group does not have any material exposure to market risk other than as set out below.

(i) Interest rate risk

Interest rate risk arises principally from cash and cash equivalents. The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters while optimising the return.

NOTE 28 FINANCIAL RISK MANAGEMENT (continued)

(d) Market Risk (continued)

(i) Interest rate risk (continued)

For further details on interest rate risk refer to the tables below:

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount as per the statements of financial position	Weighted average effective interest rate
	2010	2010	2010	2010	2010
	$	$	$	$	%
Financial assets					
Cash and cash equivalents	1,243,388	-	-	1,243,388	1.67%
Receivables	-		60,040	60,040	-
Security deposits	-	52,000	-	52,000	2.20%
Total financial assets	1,243,388	52,000	60,040	1,355,428	
Financial liabilities					
Trade and other payables	-	-	439,804	439,804	-
Total financial liabilities	-	-	439,804	439,804	-

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount as per the statements of financial position	Weighted average effective interest rate
	2009	2009	2009	2009	2009
	$	$	$	$	%
Financial assets					
Cash and cash equivalents	5,056,492	-	-	5,056,492	4.00%
Receivables	-	-	92,207	92,207	-
Security deposits	-	74,500	-	74,500	2.20%
Total financial assets	5,056,492	74,500	92,207	5,223,199	
Financial liabilities					
Trade and other payables	-	-	740,848	740,848	-
Total financial liabilities	-	-	740,848	740,848	-

The Consolidated entity has performed a sensitivity analysis relating to its exposure to interest rate risk. This sensitivity demonstrates the effect on the current year results and equity which could result from a change in these risks.

At 30 June 2010 the effect on profit and equity as a result of changes in the interest rate would be as follows:

	Carrying Amount	Increase in interest rate by 1%		Decrease in interest rate by 1%	
		Profit	Other comprehensive income	Profit	Other comprehensive income
	$	$	$	$	$
CONSOLIDATED - 2010					
Cash and cash equivalents	1,243,388	9,483	-	(9,483)	-
Tax charge of 30%		-	-	-	-
After tax increase/ (decrease)		9,483	-	(9,483)	-

The above analysis assumes all other variables remain constant.

CONSOLIDATED - 2009					
Cash and cash equivalents	5,056,492	50,553	-	(50,553)	-
Tax charge of 30%		-	-	-	-
After tax increase/ (decrease)		50,553	-	(50,553)	-

The above analysis assumes all other variables remain constant.

NOTE 28 FINANCIAL RISK MANAGEMENT (continued)

(d) Market Risk (continued)

(ii) Currency risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group hold financial instruments which are other than the AUD functional currency of the Group.

The consolidated entity is exposed to currency risk on its cash and cash equivalents held (in CFA Franc) in Burkina Faso as well as on purchases made from suppliers in Burkina Faso.

The consolidated entity's exposure to foreign currency risk is as follows:

	CFA Franc $A *
2010	
Cash and cash equivalents	179,283
Trade Payables	(1,555)
Net Exposure	177,728
2009	
Cash and cash equivalents	-
Trade Payables	-
Net Exposure	-

* expressed in Australian dollars

At 30 June 2010 the effect on profit and equity as a result of changes in the exchange rate would not be material.

(e) Net Fair Values

The net fair values of financial assets and financial liabilities approximate their carrying values.

Declaration by Directors

The directors of the company declare that:

1. The financial statements, comprising the statements of comprehensive income, statements of financial position, statements of cash flows, statements of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date.

2. The consolidated entity has included in the notes to the financial statement and explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. 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.

4. The remuneration disclosures included in pages 23 to 28 of the directors' report (as part of audited Remuneration Report) for the year ended 30 June 2010, comply with section 300A of the *Corporations Act 2001.*

5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is signed in accordance with a resolution of the directors.

Peter Spiers
Director

Brisbane
15 September 2010

BDO Kendalls

INDEPENDENT AUDITOR'S REPORT

To the Members of Mt Isa Metals Limited

We have audited the accompanying financial report of Mt Isa Metals Limited, which comprises the statements of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the 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 controls relevant to the preparation and fair presentation of the 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we 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. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. 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*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

(a) the financial report of Mt Isa Metals Limited 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 2010 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matters on Going Concern and Carrying Value of Exploration Expenditure

Without qualification to the opinion expressed above, we draw attention to the matters set out in Note 1. The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and realisation of assets and discharge of liabilities in the ordinary course of business. This includes the realisation of capitalised exploration expenditure of $3,528,464 (30 June 2009: $2,222,888) as summarised in Note 14. The ability of the company to maintain continuity of normal business activities, to pay its debts as and when they fall due and to recover the carrying value of their areas of interest, is dependent upon the ability of the company to successfully raise additional capital and/or the successful exploration and subsequent exploitation of their areas of interest through sale or development.

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

Report on Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. 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

In our opinion, the Remuneration Report of Mt Isa Metals Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

BDO Audit (QLD) Pty Ltd

D P Wright

Director

Brisbane

17 September 2010