



**MT ISA METALS LIMITED  
AND ITS SUBSIDIARIES**

**A.B.N. 59 120 212 017**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**MT ISA METALS LIMITED**

**CORPORATE DIRECTORY**

**DIRECTORS**

John Bovard  
Peter Spiers  
Nicholas Mather  
Michele Muscillo

**AUSTRALIAN BUSINESS NUMBER**

59 120 212 017

**SECRETARY**

Peter Harding-Smith

**ADMINISTRATION AND REGISTERED OFFICE**

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**AUDITOR**

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**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.

# MT ISA METALS LIMITED AND ITS SUBSIDIARIES

## DIRECTORS REPORT

Your directors present their report on the consolidated entity consisting of Mt Isa Metals Ltd and the entities it controlled at the end of, or during, the half-year ended 31 December 2011.

### Directors

The names of persons who were directors of Mt Isa Metals Ltd during the whole of the half-year and up to the date of this report are:

Peter Spiers  
Nicholas Mather  
John Bovard  
Michele Muscillo

### Review of Operations

Mt Isa Metals Limited is an Australian-based exploration company focused on the discovery and development of large-scale gold deposits in world-class mineral provinces.

#### Exploration - West Africa

During the half-year ended 31 December 2011 Mt Isa Metals continued to advance gold exploration activities across its substantial portfolio of exploration permits in Burkina Faso, West Africa.

Mt Isa Metals has secured 18 granted permits in Burkina Faso under option agreements that provide the Company with the exclusive right to conduct exploration activities and an option to acquire a 100% interest in each permit by making staged payments over a three year period. Mt Isa Metals holds one granted permit on a 100% basis.

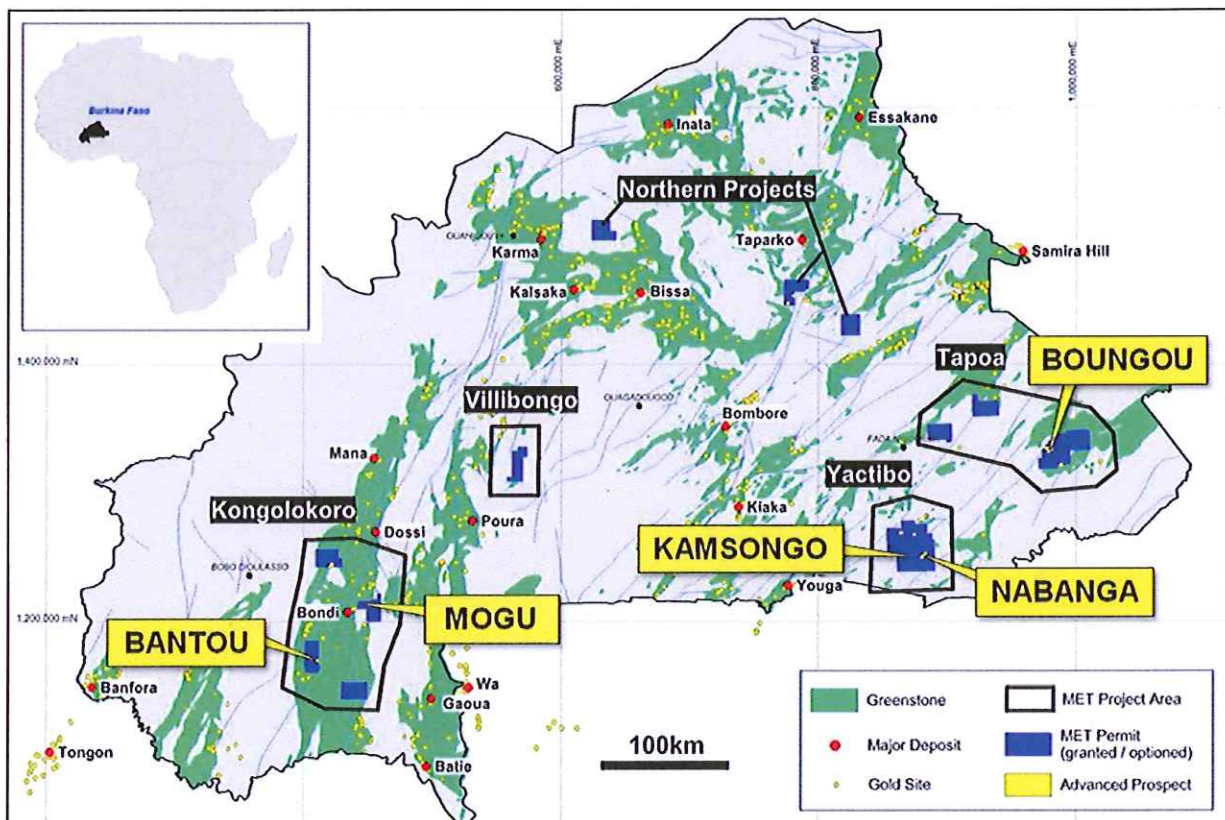


Figure 1 – Location of MET projects / permits in Burkina Faso.

## MT ISA METALS LIMITED AND ITS SUBSIDIARIES

### DIRECTORS REPORT

During the half-year:

#### Nabanga Prospect

The Nabanga gold discovery was announced by MET in early 2011 following the completion of a broad-spaced first pass reverse circulation (RC) drilling program. The initial drilling program outlined significant high grade gold mineralisation over a 3.6 kilometre strike length and to an approximate maximum 50 metre vertical depth.

During the half-year ended 31 December 2011 the Company expanded its exploration drilling activities at Nabanga and in October 2011 announced that it had identified high grade gold mineralisation in multiple zones over an aggregate 2.2 kilometre strike length.

Significant new RC drill intersections reported included:

- 8m @ 7.86g/t Au from 66m (in NARC040)  
(incl. 2m @ 13.23g/t Au from 68m)
- 5m @ 29.34g/t Au from 30m (in NARC046)  
(incl. 2m @ 67.75g/t Au from 31m)
- 4m @ 24.98g/t Au from 25m (in NARC052)  
(incl. 2m @ 46.70g/t Au from 25m)
- 8m @ 5.33g/t Au from 17m (in NARC055)  
(incl. 2m @ 15.95g/t Au from 20m)
- 8m @ 14.49g/t Au from 71m (in NARC070)  
(incl. 4m @ 27.22g/t Au from 72m)
- 4m @ 7.72g/t Au from 35m (in NARC075)  
(incl. 2m @ 13.49g/t Au from 35m)
- 6m @ 7.98g/t Au from 46m (in NARC088)  
(incl. 3m @ 13.61g/t Au from 46m)

The weighted average intersection for all drill holes completed to the 31 December 2011 within the three target high grade areas (South Zone, Central Zone and North Zone) was 3.9 metres @ 6.98g/t Au (from 49 RC drill holes).

The Company considers that the near-surface high grade gold zones identified at Nabanga offer significant potential to delineate economic open pitable gold mineralisation at multiple locations along the Nabanga structure.

Late in the half-year the Company commenced detailed resource definition drilling at Nabanga directed towards establishing a maiden resource estimate for the Nabanga deposit to an approximate 150 metre vertical depth.

Subsequent to the end of the half-year:

The resource drilling program continued at the Nabanga Prospect and continued to deliver further outstanding high grade gold assay results that further enhance the potential for open pit gold mine development.

The new drill assay results included:

- 2m @ 19.00g/t Au from 24m (in NARC091)
- 3m @ 20.49g/t Au from 72m (in NARC100)

## MT ISA METALS LIMITED AND ITS SUBSIDIARIES

### DIRECTORS REPORT

- 10m @ 17.70g/t Au from 51m (in NARC114)  
(incl. 5m @ 34.68g/t Au (from 51m))
- 14m @ 3.68g/t Au from 94m (in NARC105)  
(incl. 6m @ 7.37g/t Au from 101m)
- 12m @ 4.78g/t Au from 16m (in NARC128)  
(incl. 3m @ 16.02g/t from 24m)
- 4m @ 16.06g/t Au from 21m (in NARC131)  
(incl. 3m @ 21.23g/t from 21m)
- 5m @ 22.99g/t Au from 74m (in NARC135)  
(incl. 3m @ 37.39g/t from 75m)
- 3m @ 20.77g/t Au from 33m (in NARC139)  
(incl. 1m @ 54.10g/t from 34m)
- 6m @ 14.44g/t Au from 49m (in NARC172)  
(incl. 1m @ 67.50g/t Au (from 49m))
- 6m @ 48.48g/t Au from 74m (in NARC173)  
(incl. 4m @ 71.83g/t Au (from 74m))
- 5m @ 26.34g/t Au from 87m (in NARC174)  
(incl. 2m @ 63.35g/t Au (from 88m))

In addition to the above step-out diamond drilling commenced at Nabanga to assess the potential for mineralization to a minimum 400 metre vertical depth. This drilling will provide a more than 3-fold increase in the area of the Nabanga structure tested to date.

Assays are awaited from the ongoing RC and diamond drilling programs.

#### Kamsongo Prospect

During the half-year initial assay results were received from RC and RAB (rapid air blast) drilling at the Kamsongo Prospect. The results are very encouraging in that they demonstrate wide zones of elevated (+0.20g/t) gold mineralisation in basement rocks associated with a regional-scale structural target (evidenced in magnetic and radiometric geophysical data).

The assay results received to date from Kamsongo represent early stage data from a more substantial exploration program planned to test the gold-in-soil anomalism over its full (14km) strike length.

A second phase (detailed) soil sampling program is proposed for the Kamsongo area to assist with future drill planning.

#### Bantou Prospect

MET completed an initial scout drilling program at Bantou in late 2010 which recorded near-surface gold mineralisation including intersections of 8m @ 80.32g/t Au from 36m (in DYRC003) and 5m @ 6.12g/t Au from 60m (in DYRC04).

During the half-year end 31 December 2011 MET completed a second (phase 2) RC drilling program at Bantou over a 600 metre strike length to follow up the significant phase 1 drilling results.

The new drilling results include significant near-surface gold intersections in multiple structures.

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### DIRECTORS REPORT

New drill intersections recorded on the Bantou Main Lode structure (ie: directly below the main trend of artisanal workings) include:

- 4m @ 6.03g/t Au (from 66m in DYRC018)
- 9m @ 16.79g/t Au (from 91m in DYRC026)
- 16m @ 10.20g/t Au (from 17m in DYRC029)
- 5m @ 6.55g/t Au (from 109m in DYRC030)

Drill intersections recorded on the Bantou Hangingwall structure include:

- 6m @ 7.35g/t Au (from 44m in DYRC014)
- 6m @ 5.27g/t Au (from 8m in DYRC017)
- 11m @ 2.59g/t Au (from 7m in DYRC028)
- 11m @ 2.63g/t Au (from 48m in DYRC034)

Mineralisation on both the Main Lode and Hangingwall structures is open along strike to the north and south of current drilling. Mineralisation is also open at depth below the limit of current drilling (approx. 100m vertical depth).

MET proposes to conduct additional RC drilling of the Bantou Prospect in the current field season. In particular drilling will test strike extensions to the north of current drilling in the vicinity of a wide zone (up to 40m across) of surface artisanal workings.

In addition to the immediate Bantou area, the balance of the 250km<sup>2</sup> Dynikongolo permit (which includes the Bantou Prospect) also presents significant potential for additional gold discoveries.

#### Boungou Prospect

Final assay results were received for an initial soil sampling program focused on an area of known gold occurrences. The program successfully identified multiple zones of high order (+50 ppb Au) gold-in-sol anomalism across the Boungou area including:

Anomaly	Dimensions (approx.)	Average Assay (ppb Au)	Maximum Assay (ppb Au)
Natougou Zone	1,300m x 500m	156ppb Au	744 ppb Au
Kodjini Zone	600m x 500m	115ppb Au	285ppb Au
Western Zone	1,200m x 800m	118ppb Au	466ppb Au
Link Zone	600m x 500m	70ppb Au	218ppb Au

Table 2 – Summary of high order soil anomalies from phase one soil sampling program.

Significant +20ppb gold-in-soil anomalism has now been defined at Boungou over a total 6.6 kilometre strike length (notional NNE-SSW orientation - parallel to main zone of artisanal workings) and, a 3.7 kilometre maximum width (notional NNW-SSE orientation - including the Natougou Zone anomaly).

The anomalism includes multiple discrete zones above 50ppb Au - including the Kodjini Zone, Western Zone, Link Zone and the Natougou Zone anomalies. Gold anomalism within the Boungou area remains open in multiple directions with +50ppb Au gold assays recorded at the limit of the phase one soil sample area.

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## DIRECTORS REPORT

A number of large-scale gold deposits discovered in the region to date are associated with broad-scale soil anomalies at or above the 50ppb Au threshold. Therefore, the results received from the Boungou phase one soil sampling program indicate significant potential for discovery of large-scale bedrock gold deposits.

In October the Company has expanded its permit position in the vicinity of the Boungou Prospect in south-east Burkina Faso. The expansion was achieved via establishment a new three year option agreement over the recently granted Pambourou Exploration Permit.

The 233km<sup>2</sup> Pambourou Permit includes a prospective sequence of greenstone rocks and structural gold targets. The Pambourou Permit also includes an 8km long strike length of Tarkwaian sediments (conglomerates) a rock type known to host major gold deposits in the region.

Together with existing permits, the Pambourou Permit secures a contiguous 50 kilometre long strike length of highly prospective greenstone rocks within the Tapoa Project area.

Subsequent to the end of the half-year the Company commenced a maiden reverse circulation drilling program in the Boungou area. Assay results are awaited.

### Exploration - Mount Isa Region

Mt Isa Metals holds in excess of 4,000km<sup>2</sup> of exploration tenements in the world-class Mount Isa region of north-west Queensland.

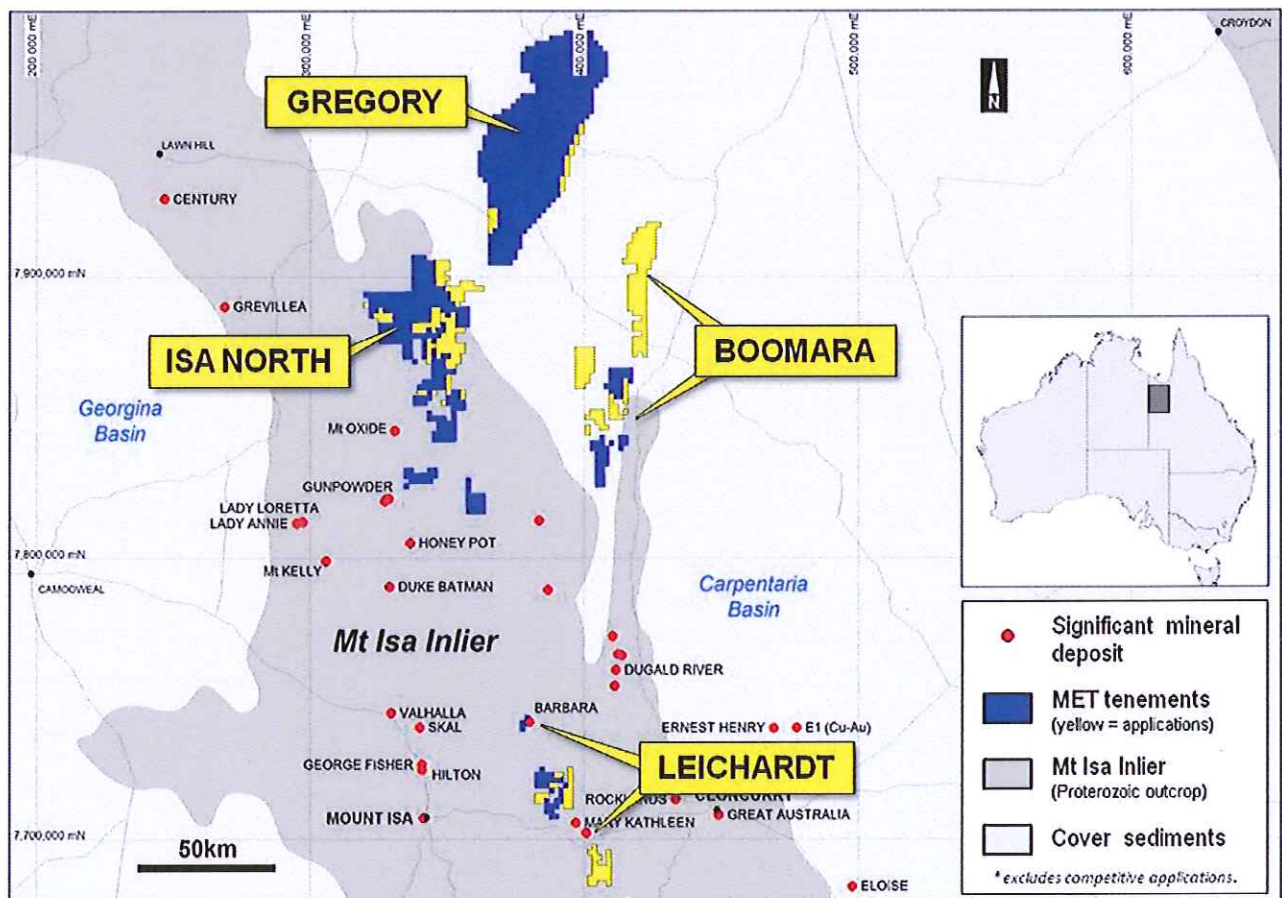


Figure 2 – Location of MET projects / permits in Mount Isa region.

MT ISA METALS LIMITED AND ITS SUBSIDIARIES

DIRECTORS REPORT

During the half-year:

Leichardt Project area

Maiden mineral resource estimates were completed for the Green Zone and Blue Star copper-gold deposits (MET 49%) in the Company's Leichardt Project area, north-west Queensland.

The resource estimates (classified as Inferred Mineral Resources) are summarised in table 3 below.

Deposit	Tonnes	Copper (%)	Gold (g/t)	Copper (tonnes)	Gold (ounces)
Green Zone	430,000	0.90	0.01	3,860	200
Blue Star	177,000	2.31	0.27	4,080	1,520
<b>Total</b>	<b>607,000</b>	<b>1.31</b>	<b>0.09</b>	<b>7,940</b>	<b>1,720</b>

Table 3 - Summary Inferred Mineral Resource estimates (0.5% Cu cut-off grade, 100% JV basis).

Copper-gold mineralisation on both the Green Zone and Blue Star deposits is open at depth and along strike. Considerable potential exists to extend the current metal inventory through additional exploration drilling.

As a result of the maiden resource estimates for the Green Zone and Blue Star deposits the combined metal inventory<sup>1</sup> for Company's Leichardt Project area has increased to 31,940 tonnes of contained copper comprised of the following components:

Deposit	Resource Category	Tonnes	Copper (%)	Gold (g/t)	Copper (tonnes)	Gold (ounces)
Barbara	Indicated	801,000	1.40	0.10	24,000	8,000
	Inferred	1,191,000	1.00	0.10		
Green Zone	Inferred	430,000	0.90	0.01	3,860	200
Blue Star	Inferred	177,000	2.31	0.27	4,080	1,520
<b>Total</b>		<b>2,599,000</b>	<b>1.20</b>	<b>0.10</b>	<b>31,940</b>	<b>9,720</b>

Table 4 – Total Mineral Resource Inventory – Leichardt Project deposits (100% JV basis).

Boomara Project

During the half-year ended 31 December 2011 the Company announced that it had entered into an Earn-in and Joint venture Agreement with Xstrata Mount Isa Mines (Xstrata) over MET's highly prospective Boomara Project tenements in the Mount Isa region of north-west Queensland.

The Boomara Project tenements have a complex magnetic basement, interpreted multiple fault systems, and iron-oxide copper-gold (IOCG) style mineralisation in historical drilling. The Boomara Project area encompasses more than 650km<sup>2</sup> of prospective Mount Isa Inlier lithologies, and is located on the western flank and to the north of the Boomara Ridge.

<sup>1</sup> The Barbara, Green Zone and Blue Star deposits are held under the West Leichardt Joint Venture. MET holds a 49% interest in the joint venture. Syndicated Metals Limited is manager of the joint venture and holds the remaining 51% interest.



## MT ISA METALS LIMITED AND ITS SUBSIDIARIES

### DIRECTORS REPORT

Under the terms of the agreement Xstrata must spend a minimum of \$0.5 million on exploration and drill at least 500m in the first 18 months, and have the right to earn 51% by spending \$1.0 million within 3 years. After earning 51%, Xstrata may elect to earn an additional 29% (80% in total) by sole funding a further \$2.5 million on exploration within a further 3 years.

There have been no events subsequent to the end of the half-year in the Mt Isa Region.

#### *Corporate*

During the half-year:

- Mt Isa Metals issued 4,266,668 shares through the exercise of options with an exercise price of 18 and 23 cents, raising a further \$863,000, before costs.
- The company relocated office to Level 32, AMP Place, 10 Eagle Street, Brisbane.

For the half-year ended 31 December 2011, the loss for the consolidated entity after providing for income tax was \$1,045,153 (2010: \$1,345,734).

#### **Auditors Independence Declaration**

A copy of the independence declaration by the auditor under section 307C of the Corporations Act 2001 is included on page 10 of this half-year financial report.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Peter Spiers  
Director

Brisbane  
14 March 2012



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## DECLARATION OF INDEPENDENCE BY TIM KENDALL TO THE DIRECTORS OF MT ISA METALS LIMITED

As lead auditor for the review of Mt Isa Metals Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

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

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

T J KENDALL  
Director

BDO Audit (QLD) Pty Ltd  
Brisbane, 14 March 2012

**MT ISA METALS LIMITED AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Consolidated Entity	
	31 December 2011	31 December 2010
	\$	\$
Revenue	367,292	32,730
Employee benefits expense	(987,317)	(837,972)
Depreciation and amortisation expenses	(47,521)	(24,083)
Legal expenses	(12,710)	(2,607)
Finance	-	(5)
Marketing	(115,405)	(42,401)
Administration and consulting expenses	(120,055)	(297,120)
Other expenses	(129,437)	(174,277)
<b>Profit/(Loss) before income tax expense</b>	<b>(1,045,153)</b>	<b>(1,345,734)</b>
Income tax expense	-	-
<b>Net Profit/(Loss) for the half-year</b>	<b>(1,045,153)</b>	<b>(1,345,734)</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the half-year</b>	<b>(1,045,153)</b>	<b>(1,345,734)</b>
Profit/(Loss) for the half-year is attributable to:		
Non-controlling Interests	(172,679)	-
Owners of Mt Isa Metals Ltd	(872,474)	(1,345,734)
	<b>(1,045,153)</b>	<b>(1,345,734)</b>
Total comprehensive income for the half-year is attributable to:		
Non-controlling Interests	(172,679)	-
Owners of Mt Isa Metals Ltd	(872,474)	(1,345,734)
	<b>(1,045,153)</b>	<b>(1,345,734)</b>
	<b>Cents</b>	<b>Cents</b>
Earnings/(loss) per share attributable to owners of Mt Isa Metals Ltd:		
Basic earnings/(loss) per share (cents per share)	(0.5)	(1.1)
Diluted earnings/(loss) per share (cents per share)	(0.5)	(1.1)

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

**MT ISA METALS LIMITED AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2011**

	Note	Consolidated Entity	
		31 December 2011 \$	30 June 2011 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		12,430,636	15,281,370
Trade and other receivables		116,943	367,227
Other current assets		159,553	67,695
<b>Total Current Assets</b>		<u>12,707,132</u>	<u>15,716,292</u>
<b>Non-Current Assets</b>			
Plant and equipment		415,158	347,532
Other non-current assets		181,301	45,095
Exploration and evaluation assets		10,776,170	8,181,742
<b>Total Non-Current Assets</b>		<u>11,372,629</u>	<u>8,574,369</u>
<b>TOTAL ASSETS</b>		<u>24,079,761</u>	<u>24,290,661</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		712,043	856,131
<b>Total Current Liabilities</b>		<u>712,043</u>	<u>856,131</u>
<b>TOTAL LIABILITIES</b>		<u>712,043</u>	<u>856,131</u>
<b>NET ASSETS</b>		<u>23,367,718</u>	<u>23,434,530</u>
<b>EQUITY</b>			
Issued capital	2	26,748,979	25,950,076
Reserves		3,575,743	3,396,305
Accumulated losses		(7,574,455)	(6,701,981)
<b>Capital and reserves attributable to Mt Isa Metals Limited</b>		<u>22,750,267</u>	<u>22,644,400</u>
Non-controlling Interest		617,451	790,130
<b>TOTAL EQUITY</b>		<u>23,367,718</u>	<u>23,434,530</u>

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

MT ISA METALS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Issued Capital \$	Accumulated Losses \$	Option Reserve \$	Change in proportionate interest reserve \$	Sub-total \$	Non- controlling interest \$	Total Equity \$
At 1 July 2010	7,917,300	(4,155,004)	957,539	-	4,719,835	-	4,719,835
Total comprehensive income for the half- year							
Loss for the half-year	-	(1,345,734)	-	-	(1,345,734)	-	(1,345,734)
	-	(1,345,734)	-	-	(1,345,734)	-	(1,345,734)
Transactions with owners in their capacity as owners							
Issue of share capital	5,086,109	-	-	-	5,086,109	-	5,086,109
Costs associated with issue of share capital	(934,463)	-	-	-	(934,463)	-	(934,463)
Share-based payments	-	-	1,188,750	-	1,188,750	-	1,188,750
	4,151,646	-	1,188,750	-	5,340,396	-	5,340,396
At 31 December 2010	12,068,946	(5,500,738)	2,146,289	-	8,714,497	-	8,714,497
At 1 July 2011	25,950,076	(6,701,981)	2,445,269	951,036	22,644,400	790,130	23,434,530
Total comprehensive income for the half- year							
Loss for the half-year	-	(872,474)	-	-	(872,474)	(172,679)	(1,045,153)
	-	(872,474)	-	-	(872,474)	(172,679)	(1,045,153)
Transactions with owners in their capacity as owners							
Issue of share capital	863,000	-	-	-	863,000	-	863,000
Costs associated with issue of share capital	(64,097)	-	-	-	(64,097)	-	(64,097)
Share-based payments	-	-	179,438	-	179,438	-	179,438
	798,903	-	179,438	-	978,341	-	978,341
At 31 December 2011	26,748,979	(7,574,455)	2,624,707	951,036	22,750,267	617,451	23,367,718

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

MT ISA METALS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Consolidated Entity	
	31 December 2011	31 December 2010
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts in the course of operations	74,858	93,691
Payments to suppliers and employees	(1,177,778)	(790,736)
Interest paid	-	(5)
Interest received	291,359	32,730
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(811,561)</b>	<b>(664,320)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment/Refunds of security deposits	(136,206)	5,000
Payments for plant and equipment	(35,812)	(218,555)
Payments for exploration & evaluation assets	(2,666,058)	(1,921,690)
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(2,838,076)</b>	<b>(2,135,245)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	863,000	5,086,109
Proceeds from prepaid capital contribution	-	1,203,336
Payments for share issue expenses	(64,097)	(286,014)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>798,903</b>	<b>6,003,431</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(2,850,734)</b>	<b>3,203,866</b>
Net cash at beginning of period	15,281,370	1,243,388
<b>NET CASH AT END OF PERIOD</b>	<b>12,430,636</b>	<b>4,447,254</b>

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

**MT ISA METALS LIMITED AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS**

These general purpose financial statements for the half-year reporting period ended 31 December 2011 have been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2011 and any public announcements made by Mt Isa Metals Ltd during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements.

**(a) Going concern**

The half-year report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The Group has not generated revenues from operations. As such, the Group's ability to continue to adopt the going concern assumption will depend upon a number of matters including subsequent successful raising in the future of necessary funding and the successful exploration and subsequent exploitation of the Group's tenements. In the absence of these matters being successful, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the ordinary course of business.

**(b) Comparatives**

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

MT ISA METALS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

2. EQUITY SECURITIES ISSUED	Consolidated Entity		Consolidated Entity	
	2011 No.	2010 No.	2011 \$	2010 \$
(a) Ordinary shares				
At 1 July	159,385,921	103,750,000	25,950,076	7,917,300
Shares issued during the half-year				
- 27 July 2011 (1)	619,049	-	136,429	-
- 4 August 2011 (2)	547,619	-	123,571	-
- 19 August 2011 (3)	2,900,000	-	557,000	-
- 2 September 2011 (4)	200,000	-	46,000	-
- 17 September 2010 (5)	-	1,085,716	-	232,143
- 20 September 2010 (6)	-	95,239	-	19,048
- 23 September 2010 (7)	-	12,500,000	-	1,875,000
- 19 October 2010 (8)	-	19,732,786	-	2,959,918
Share issue costs	-	-	(64,097)	(934,463)
At 31 December	163,652,589	137,163,741	26,748,979	12,068,946

- (1) On 27 July 2011, 119,049 unlisted \$0.18 options and 500,000 unlisted \$0.23 options were exercised into ordinary shares.
- (2) On 4 August 2011, 47,619 unlisted \$0.18 options and 500,000 unlisted \$0.23 options were exercised into ordinary shares.
- (3) On 19 August 2011, 2,200,000 unlisted \$0.18 options and 700,000 unlisted \$0.23 options were exercised into ordinary shares.
- (4) On 2 September 2011, 200,000 unlisted \$0.23 options were exercised into ordinary shares.
- (5) On 17 September 2010, 785,716 unlisted \$0.20 options and 300,000 unlisted \$0.25 options were exercised into ordinary shares.
- (6) On 20 September 2010, 95,239 unlisted \$0.20 options were exercised into ordinary shares.
- (7) On 23 September 2010, 12,500,000 ordinary shares were issued, pursuant to an institutional placement, raising \$1,875,000 before issue costs.
- (8) On 19 October 2010, 19,732,786 ordinary shares were issued, pursuant to a non-renounceable retail entitlement offer, raising \$2,959,918 before issue costs.

(b) Options

No options were issued or lapsed during the half-year ended 31 December 2011.

3. 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 on the basis of geographical location of its exploration activities as the regulatory environment is different in Australia and West Africa.



MT ISA METALS LIMITED AND ITS SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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3. SEGMENT INFORMATION (continued)

**Basis of accounting for purposes of reporting by operating segments**

*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.

*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.

*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.

*Unallocated items*

The following items of revenue, expenses and assets 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

MT ISA METALS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

3. SEGMENT INFORMATION (continued)

31 December 2011	Australia \$	West Africa \$	Total \$
<b>Segment performance</b>			
<i>Revenue</i>			
Interest revenue	343,644	23,648	367,292
<i>Total segment revenue</i>	343,644	23,648	367,292
<i>Reconciliation of segment revenue to group revenue</i>			
Inter-segment elimination			-
Total group revenue			367,292
<i>Segment net loss before tax</i>	(610,307)	(271,610)	(881,917)
<i>Reconciliation of segment result to group net profit / loss before tax</i>			
Amounts not included in segment result but reviewed by Board			
- corporate charges	(108,408)	(11,647)	(120,055)
- depreciation and amortisation	(25,783)	(21,738)	(47,521)
Unallocated items			
- finance costs			-
- other			-
<i>Net loss before tax</i>			(1,049,493)
<b>Segment assets</b>			
<i>Segment assets</i>	22,974,453	8,530,156	31,504,609
<i>Reconciliation of segment assets to group assets</i>			
Inter-segment receivables eliminations			(7,429,948)
<i>Total group assets</i>			24,074,661
<b>Segment asset increases for the period:</b>			
- Exploration & evaluation expenditure	134,212	2,350,946	2,485,158
- Capital expenditure (plant & equipment)	55,795	11,831	67,626
- Acquisitions	-	-	-
	190,007	2,362,777	2,552,784

MT ISA METALS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

3. SEGMENT INFORMATION (continued)

31 December 2010	Australia \$	West Africa \$	Total \$
<b>Segment performance</b>			
<i>Revenue</i>			
Interest revenue	32,730	-	32,730
<i>Total segment revenue</i>	32,730	-	32,730
<i>Reconciliation of segment revenue to group revenue</i>			
Inter-segment elimination			-
Total group revenue			32,730
<i>Segment net loss before tax</i>	(928,527)	(86,925)	(1,015,452)
<i>Reconciliation of segment result to group net profit / loss before tax</i>			
Amounts not included in segment result but reviewed by Board			
- corporate charges	(268,570)	(37,623)	(306,193)
- depreciation and amortisation	(20,481)	(3,602)	(24,083)
Unallocated items			
- finance costs			(5)
- other			-
<i>Net loss before tax</i>			(1,345,734)
<b>Segment assets</b>			
<i>Segment assets</i>	22,898,851	6,368,013	29,266,864
<i>Reconciliation of segment assets to group assets</i>			
Inter-segment receivable eliminations			(4,976,101)
<i>Total group assets</i>			24,290,661
Segment asset increases for the period:			
- Exploration & evaluation expenditure	593,427	4,059,851	4,653,278
- Capital expenditure (plant & equipment)	2,813	214,014	216,827
- Acquisitions	-	-	-

**MT ISA METALS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**4. CONTROLLED ENTITIES**

During the half-year there were no changes to controlled entities.

**5. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

**6. EVENTS SUBSEQUENT TO REPORTING DATE**

On 23 February 2012, Mt Isa Metals issued 1,000,000 unlisted \$0.55 options to six employees and placed 10,000 shares with another employee, as part of a retention program.

There have been no other events since 31 December 2012 that impact upon the financial report as at 31 December 2012.

**MT ISA METALS LIMITED AND ITS SUBSIDIARIES**

**DECLARATION BY DIRECTORS**

The directors of the Company declare that:

1. The attached financial statements and notes are in accordance with the Corporations Act 2001, including:
  - (a) Complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - (b) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



**Peter Spiers**  
Director

**Brisbane**  
**14 March 2012**

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Mt Isa Metals Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mt Isa Metals Limited, which comprises the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mt Isa Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Mt Isa Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



## Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

## Emphasis of Matter on Going Concern and Carrying Value of Exploration Expenditure

Without modifying our conclusion, we draw attention to the matters set out in Note 1 in the half-year financial report. The financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities. The ability of the consolidated entity to maintain continuity of normal business activities and to pay its debts as and when they fall due, is dependent upon the successful raising in the future of necessary funding and/or the successful exploration and subsequent exploitation of its areas of interest through sale or development.

These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the disclosing entity's ability to continue as a going concern and therefore, the disclosing entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (QLD) Pty Ltd

  
T J Kendall

Director

Brisbane, 14 March 2012