



ZAMIA METALS LIMITED
INTERIM REPORT DECEMBER 2010

ZAMIA METALS LIMITED (ABN 73 120 348 683)
and Controlled Entity

Interim Financial Report

DIRECTORS' REPORT

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2010.

Directors

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

Dr Kenneth John Maiden, Executive Chairman and Chief Executive Officer (CEO)

Mr Chen Qiang, Non-executive Director

Mr Andrew Skinner, Non-executive Director

Mr Alan Humphris, Non-executive Director

Company Secretary

John Stone

Review of Operations

Zamia continued to focus its activities on the Anthony molybdenum ('Mo') discovery north of Clermont in central Queensland. In September, Zamia announced an Inferred Resource of 130 million tonnes (Mt) at 0.04% (400 ppm) Mo in the primary (sulphide) zone, including a high grade zone of 15 Mt at 730 ppm Mo. There is an additional 63 million tonnes at 400 ppm Mo of near-surface oxide and transitional material. It is expected that most of the resource will upgrade into the JORC Indicated and Measured categories with additional infill drilling.

Resource and extension drilling is continuing to intersect good grade Mo mineralisation. Assays are being reported as they become available. Quality assurance/quality control of all aspects of sampling are incorporated into field procedures.

Metallurgical tests have shown that sulphide Mo ore can be upgraded by a cheap and simple beneficiation process of coarse crushing, screening and gravity separation. Locked cycle laboratory flotation tests on a bulk sample indicate that an operation would produce a concentrate of +50% Mo at about 90% recovery, with by-product rhenium (Re) values and low concentrations of potentially deleterious elements such as arsenic (i.e. well below reject levels). This information is now being used for metallurgical and mining scoping studies being carried out in the first quarter of 2011.

Initial tests on oxide Mo material have indicated that: (a) material with > 400 ppm Mo can be pre-concentrated to a higher grade (> 800 ppm Mo); and (b) an acidic leach process can extract around 90% of the molybdenum.

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A firm of mining consultants has been contracted to provide a preliminary plan for an open-cut mining operation as well as preliminary capital expenses (CAPEX) and operating expenses (OPEX) estimates.

Zamia plans to initiate other key aspects of the scoping study in the first quarter of 2011 when key information is available from the initial mining and processing studies.

The scoping study will be followed by a peer review to be conducted by a reputable consulting group. Assuming a successful peer review, the company plans to commence a definitive (or “bankable”) feasibility study (DFS) in mid-2011.

Mining and processing studies, as well as further resource drilling, are still in progress. These will provide a better indication of likely project economics within the next 2 - 3 months. In the meantime, “back-of-the-envelope” assessment, based on assumed costs and revenue, indicate the likelihood of positive project returns at the current molybdenum price.

Exploration is continuing on other targets in the Company’s tenement portfolio and, during the half-year, Zamia carried out drilling programmes on three of these. Results have been reported to the ASX.

At the end of 2010, Zamia Resources Pty Ltd held Exploration Permits for Minerals (EPMs) and applications totalling over 1,300 km². The Company continues to assess the prospectivity of the tenements in the light of results from exploration and to reduce them in area in accordance with the relinquishment requirements of the Queensland Department of Employment, Economic Development and Innovation (DDEDI).

Exploration tenements granted are issued with a minimum annual expenditure commitment and while these commitments have not been met on all tenements there is some flexibility in expenditure patterns over the life of the tenements where shortfalls in any single year can be made good in aggregate terms.

Zamia continues to stress occupational health and safety amongst its employees, consultants and contractors. The company carries out routine safety audits. Its field-based employees all undergo training in remote area first aid and four-wheel driving.

The Company’s strategy remains:

- To advance the Anthony molybdenum project towards feasibility;
- To identify and test other targets within the Clermont district;
- To identify other business opportunities for the Company.

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Interim Financial Report

Capital Raising

On 31 August 2010 an EGM was held at which shareholder approval was obtained for the issue of 14,285,715 ordinary shares at \$0.07 to raise \$1 million. These shares were issued on 8 September 2010.

Additionally shareholder approval was obtained at this EGM to issue up to 45 million additional ordinary shares no later than three months after the date of EGM. The ordinary shares will be available to sophisticated investors, or to investors and shareholders who subscribe for shares under a prospectus, should the Directors determine that it is appropriate to issue one. Following on from this approval 16 million shares were issued on 30 November 2010 at \$0.10 raising \$1.6 million.

Subsequently, the capital raised has been used to further progress the Anthony molybdenum project and to carry out initial drilling on gold targets.

The Company continues to assess and follow up suitable capital raising options so that it can maintain its exploration momentum, particularly at the Anthony molybdenum discovery and surrounding areas.

As at 31 December 2010, the number of listed ordinary shares was 187,245,109 (30 June 2010:156,959,395).

On 6 November 2010 4,570,000 options exercisable at \$0.15 expired. At 31 December 2010 there were 20,800,000 unquoted options exercisable between 15 and 40 cents expiring from 30 September 2011 to 27 June 2013.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 for the half-year ended 31 December 2010 is set out on the following page.

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

A handwritten signature in black ink, appearing to read 'K. Maiden', with a large loop at the bottom.

Ken Maiden - Executive Chairman and CEO
Dated this 22 February 2011

ZAMIA METALS LIMITED (ABN 73 120 348 683)
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Interim Financial Report

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Half-year ended	
	31 Dec 10	31 Dec 09
	\$	\$
Other income	32,166	4,700
Administration service fees	(151,976)	(90,000)
Consultants fees	(242,482)	(118,104)
Management fees	(86,000)	(62,930)
Depreciation and amortisation expense	(8,552)	(10,394)
Compliance costs	(47,821)	(50,300)
Exploration and evaluation expenditure	(1,553,007)	(426,009)
Employee benefits expense	(384,350)	(104,216)
Other expenses	(209,368)	(76,832)
(Loss) before income tax	(2,651,391)	(934,085)
Income tax expense	-	-
(Loss) for the half year	(2,651,391)	(934,085)
Other comprehensive income for the half year, net of tax	-	-
Total comprehensive loss for the half year	(2,651,391)	(934,085)
Earnings per share		
Basic and diluted earnings per share (cents)	(0.02)	(0.01)

The accompanying notes form part of these financial statements

ZAMIA METALS LIMITED (ABN 73 120 348 683)
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Interim Financial Report

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	31 Dec 10 \$	30 June 10 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,623,057	1,672,379
Other current assets		144,267	66,764
TOTAL CURRENT ASSETS		1,767,324	1,739,143
NON-CURRENT ASSETS			
Plant and equipment		59,216	46,575
TOTAL NON-CURRENT ASSETS		59,216	46,575
TOTAL ASSETS		1,826,541	1,785,718
CURRENT LIABILITIES			
Trade and other payables		497,004	369,775
Short term provisions		41,911	28,646
TOTAL CURRENT LIABILITIES		538,915	398,421
TOTAL LIABILITIES		538,915	398,421
NET ASSETS		1,287,626	1,387,297
EQUITY			
Contributed equity	3	13,709,197	11,157,477
Reserves		2,286,722	2,286,722
Retained (losses)		(14,708,293)	(12,056,902)
TOTAL EQUITY		1,287,626	1,387,297

The accompanying notes form part of these financial statements

ZAMIA METALS LIMITED (ABN 73 120 348 683)
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Interim Financial Report

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Issued Capital Ordinary	General Reserve	Option Reserve	Retained losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2009	7,421,092	195,703	2,091,019	(9,509,340)	198,474
Total comprehensive loss for the half year	-	-	-	(934,085)	(934,085)
Contributions of equity net of transaction costs	1,102,560	-	-	-	1,102,560
Balance at 31 Dec 2009	8,523,652	195,703	2,091,019	(10,443,425)	366,949
Balance at 1 July 2010	11,157,477	195,703	2,091,019	(12,056,902)	1,387,297
Total comprehensive loss for the half year	-	-	-	(2,651,391)	(2,651,391)
Contributions of equity net of transaction costs	2,551,720	-	-	-	2,551,720
Balance at 31 Dec 2010	13,709,197	195,703	2,091,019	(14,708,293)	1,287,626

The accompanying notes form part of these financial statements

ZAMIA METALS LIMITED (ABN 73 120 348 683)
and Controlled Entity

Interim Financial Report

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Half-year ended	
	31 Dec 2010	31 Dec 2009
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(2,612,014)	(865,421)
Interest received	32,166	4,700
Net cash (used in) operating activities	(2,579,848)	(860,721)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for plant and equipment	(21,194)	-
Net cash (used in) investing activities	(21,194)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares net of issue costs	2,551,720	1,102,560
Net cash provided by financing activities	2,551,720	1,102,560
Net (decrease)/increase in cash held	(49,322)	241,839
Cash and cash equivalents at the beginning of the half-year	1,672,379	257,817
Cash and cash equivalents at the end of the half-year	1,623,057	499,656

The accompanying notes form part of these financial statements

ZAMIA METALS LIMITED (ABN 73 120 348 683) and Controlled Entity

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of half-year financial statements

The half year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134:Interim Financial Reporting and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Reporting Standards.

The half year report does not include full disclosures of the type normally included in the annual financial report. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Zamia Metals Limited during the half year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period

Impact of standards issued but not applied by the entity AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The group is yet to assess its full impact. However, initial indications are that it will not affect the group's accounting as it currently does not have any available-for-sale financial assets. The group has not yet decided when to adopt AASB 9.

NOTE 2: GOING CONCERN BASIS

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business and at the amounts stated in the financial report.

The net loss after income tax for the consolidated entity for the half year ended 31 December 2010 was \$2,651,391 (2009: \$934,085).

The Directors nevertheless believe that it is appropriate to prepare the financial report on a going concern basis because:-

- (i) in the half year the Company raised funds from share placements resulting in a net cash injection of \$2,551,720;
- (ii) the Group had \$1,623,057 cash on hand at 31 December 2010;
- (iii) of planned capital raising the Company will require additional funds for resource drilling and a scoping study on the Anthony deposit in the second half of 2011 and for additional drilling on other targets. The amount of funds required is likely to be approximately \$8 million net of issue costs. The Board is considering various alternatives for the raising of the necessary funds.
Projected capital raising will contribute sufficient funds to cover budgeted expenditure during this period.
- (iv) The Anthony deposit is moving towards a definitive feasibility study for which further funds will be required.

However the ability of the Group to meet operating expenditure is also dependent upon future fundraising or the Company's business activities generating positive cash flows. The Company is projected to require further capital raising in the future to advance its projects through the standard stages of feasibility studies, development and ultimate operation.

In the event that the consolidated entity is unable to raise sufficient funds there is a significant uncertainty whether it will be able to continue as a going concern and therefore whether the Company and the consolidated entity can realise its assets and extinguish its liabilities at the amounts stated in the financial report. The ability of the Group to raise funds will depend on the industry and resource market interest. As the company expenses all exploration costs as incurred no value is recognised in the accounts at present.

ZAMIA METALS LIMITED (ABN 73 120 348 683) **and Controlled Entity**

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: CONTRIBUTED EQUITY MOVEMENT

	31 Dec 2010 Shares	30 June 2010 Shares	31 Dec 2010 \$	30 June 2010 \$
Balance at beginning of period	156,959,395	75,848,030	11,157,477	7,421,092
Issues of ordinary shares during the half-year/year	30,285,714	81,111,365	2,551,720	3,736,285
	<u>187,245,109</u>	<u>156,959,395</u>	<u>13,709,197</u>	<u>11,157,477</u>

NOTE 3: DIVIDENDS

No dividends have been declared or paid during the period.

NOTE 4: SEGMENT REPORTING

Management has determined the operating segments based on reports reviewed by management and the Board and which are used to make strategic decisions.

Zamia Metals Limited and its controlled entity are involved in mineral exploration without an income stream at this stage. Cash flow including the raising of capital to fund exploration is presently therefore the main focus rather than profit.

Cashflow statements for the consolidated entity as a whole are prepared for management on a weekly basis and monthly Cashflow statements are reviewed at monthly Board meetings.

The Group has applied AASB 8 Operating Segments from 1 July 2009 and determined that on the basis of the reporting structure to management and the board that it has one reportable business segment being mineral exploration.

NOTE 5: CONTINGENT LIABILITIES

There are no contingent liabilities at balance sheet date.

NOTE 6: RELATED PARTY TRANSACTIONS

The Company has entered into a revised service agreement with International Base Metals Limited, an unlisted public company which is a substantial shareholder in the company, to provide equipment, premises and personnel for a fixed term of twelve months commencing on 1 July 2010 with an option to renew for a further twelve months. The monthly management fee payable under the agreement is \$25,000 per month. The fee is to be reviewed quarterly by both companies.

The Company's Directors Ken Maiden, Alan Humphris and Chen Qiang are also Directors of International Base Metals Limited.

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

There are no other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the entities, the results of those operations, or state of affairs of the entities in future financial periods

ZAMIA METALS LIMITED (ABN 73 120 348 683)
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Interim Financial Report

DIRECTORS' DECLARATION

The Directors of the Company declare that:

The financial statements and notes, as set out on pages 5 to 10 are in accordance with the Corporations Act 2001; including:

- a. Complying with Accounting Standards AASB 134:Interim Financial Reporting; and
- b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date, and

In the Directors' opinion there are reasonable grounds to believe that Zamia Gold Mines Limited 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.

A handwritten signature in black ink, appearing to read 'Ken Maiden', with a large loop at the end.

Ken Maiden, Executive Chairman and CEO
22 February 2011

ZAMIA METALS LIMITED AND CONTROLLED ENTITIES

ABN 73 120 348 683

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ZAMIA METALS LIMITED**

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2010 there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Nell Chadwick

Hall Chadwick
Level 29, 31 Market Street
Sydney NSW 2000

G Webb

GRAHAM WEBB

Partner

Date: 22 February 2011

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ZAMIA METALS LIMITED AND CONTROLLED ENTITIES
ABN 73 120 348 683

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
ZAMIA METALS LIMITED AND CONTROLLED ENTITIES

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Zamia Metals Limited which comprises the consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the half year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of an Interim 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 financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2010 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 Zamia 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 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.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of the consolidated entity for the half-year ended 31 December 2010 included on the website of Zamia Metals Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the company's website.

Independence

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

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ZAMIA METALS LIMITED AND CONTROLLED ENTITIES
ABN 73 120 348 683

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
ZAMIA METALS LIMITED AND CONTROLLED ENTITIES

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 Zamia 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 2010 and of its performance for the half year ended on that date; and
- b. complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001

Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the conclusion expressed above, we draw attention to Note 2 in the half year financial report which indicates that the consolidated entity incurred a net loss of \$2,651,391 during the half year ended 31 December 2010. This condition along with other matters as set forth in Note 2 indicates the existence of a material uncertainty which may cast doubt about the consolidated entity's ability to continue as a going concern and to realize its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Hall Chadwick

Hall Chadwick
Level 29, 31 Market Street
Sydney, NSW 2000

G Webb

GRAHAM WEBB
Partner

Date: 22 February 2011