



QUARTERLY ACTIVITIES REPORT

for the quarter ended 30 June 2014

HIGHLIGHTS

NAMIBIAN URANIUM EXPLORATION

- Drilling program completed at Mile 72; 53 RC holes completed for 2,688m in a campaign of widely-spaced drilling to assess large areas of the licence.
- Confirmation of primary Rössing-style uranium mineralisation hosted by alaskitic pegmatites in southeast of licence.
- Assays received for 7 holes show 7 significant Intercepts¹, including an intercept of 2m@690ppm U₃O₈ in MSRC0037 and 2m@226ppm U₃O₈ in MSRC0047.
- Confirmation of previously identified multiple anomalous uranium-mineralised zones in the southeastern schist-granite-pegmatite/alaskite terrane showing strike continuity of up to 2km in drilling and trenching.
- Focus of further exploration will be identifying trap sites in southeastern uranium mineralised zones.

AUSTRALIAN EXPLORATION

- Manindi Zinc-Copper Project (WA) geological and resource review underway.
- Significant opportunities for expansion of High Grade Zinc mineralised zones and new discoveries in untested areas.
- Project located on three granted Mining Leases in Western Australia.

¹ Significant Intercept being 1m>50ppm U₃O₈

DRILLING PROGRAM COMPLETED

During the quarter, Metals completed a second phase of reverse circulation (RC) drilling at its Mile 72 Project north of Swakopmund in Namibia (Figure 1). Initial results from the November 2013 program confirmed the existence of alaskite-hosted uranium mineralisation at Mile 72. The programs carried out by the Company are the first ever to test this area for uranium mineralisation at significant depth below surface.

The November 2013 program focused on a series of priority outcropping targets testing the Damaran schist-granite-pegmatite/alaskite sequence where it correlated with surface geochemical, radiometric, and aeromagnetic anomalies. The primary objective of the initial program was met, with the identification of multiple strike-persistent pegmatitic horizons containing anomalous uranium mineralisation, within 85m of surface at Mile 72.

This most recent program was designed to target blind mineralised uranium horizons that are hidden under shallow blanketing sands. These sandy plains host a number of Radon Cup anomalies in the undrilled northeast of the Mile 72 licence area which required testing.

PROGRAM RESULTS

Each of the 53 drillholes in the program was assayed in the field on a metre-by-metre basis using a RS125 spectrometer and a handheld XRF machine. Significant anomalism in either spectrometer or XRF samples were sent for assay. This significantly reduced assay costs to the Company. The spectrometer and XRF results have an excellent correlation to mineralisation and uranium grade, and are considered a valid sample selection guide.

Laboratory assays were received from 7 holes of the 53 hole program. Intersections are shown in Table 1. The drillhole locations are shown in Figure 2. The most significant assay intercepts from the program included;

- **2m at 690ppm U₃O₈ in MSRC0037 from 3m including 1m at 737ppm U₃O₈**
- **2m at 226ppm U₃O₈ in MSRC0046 from 3m including 1m at 312ppm U₃O₈**

Also of significance was an intersection of **1m at 136ppm U₃O₈ from 30m** in MSRC0054, in which a pegmatite is hosted within a medium-grained granite. These new results are consistent with the results of the first drill program, further validating the presence of continuous primary uranium mineralisation at Mile 72.

A calcrete palaeochannel hosts an intersection of **5m at 62ppm U₃O₈ from surface in MSRC0055 including 1m at 106 ppm U₃O₈**, (secondary Langer Heinrich style of mineralisation). This is considered promising for the accumulation of surface mineralisation sourced from hard rock sources already identified at the Project.

Table 1 includes all samples taken during the program that were sent for laboratory analysis.



Figure 1 - Location of the Mile 72 Uranium Project, Namibia.

Table 1: U₃O₈ values determined by X-Ray Fluorescence Spectrometry.

Hole ID	Collar coordinates		Hole direction		Intercept			U ₃ O ₈ ppm	Comments
	<i>Easting</i>	<i>Northing</i>	<i>Dip</i>	<i>Azimuth (mag)</i>	<i>From</i>	<i>To</i>	<i>Interval</i>		
MSRC0037	409610	7581851	-60	133	3	4	1	737	2m at 690ppm
					4	5	1	643	
MSRC0041	409521	7581673	-60	133	13	14	1	200	1m at 200ppm
MSRC0046	409555	7581685	-60	133	3	4	1	312	2m at 227ppm
					4	5	1	141	
MSRC0047	409504	7581720	-60	133	7	8	1	94	1m at 94ppm
MSRC0054	410153	7582939	-60	133	30	31	1	136	1m at 136ppm
MSRC0055	410043	7583019	-60	133	0	1	1	106	5m at 63ppm
					1	2	1	35	
					2	3	1	29	
					3	4	1	88	
					4	5	1	53	
MSRC0056	409991	7583056	-60	133	17	18	1	218	1m at 218ppm

The November 2013 drilling program returned significant assay intercepts including:

- **3m at 1,192ppm U₃O₈ in MSRC0042 from 13m, including 1m at 3,407ppm U₃O₈.**
- **6m at 158ppm U₃O₈ in MSRC0031 from 9m , including 3m at 265ppm U₃O₈ from 12m and including 1m at 572ppm U₃O₈**
- 3m at 106ppm U₃O₈ in MSRC0004 from 11m, including 1m at 141ppm U₃O₈
- 3m at 102 U₃O₈ in MSRC0043 from 45m, including 1m at 147ppm U₃O₈
- 3m at 96ppm U₃O₈ in MSRC0009 from 32m , including 1m at 159 U₃O₈
- 3m at 88ppm U₃O₈ in MSRC0001 from 96m, including 1m at 106ppm U₃O₈
- 7m at 82ppm U₃O₈ in MSRC0026 from 2m , including 2m at 144ppm U₃O₈

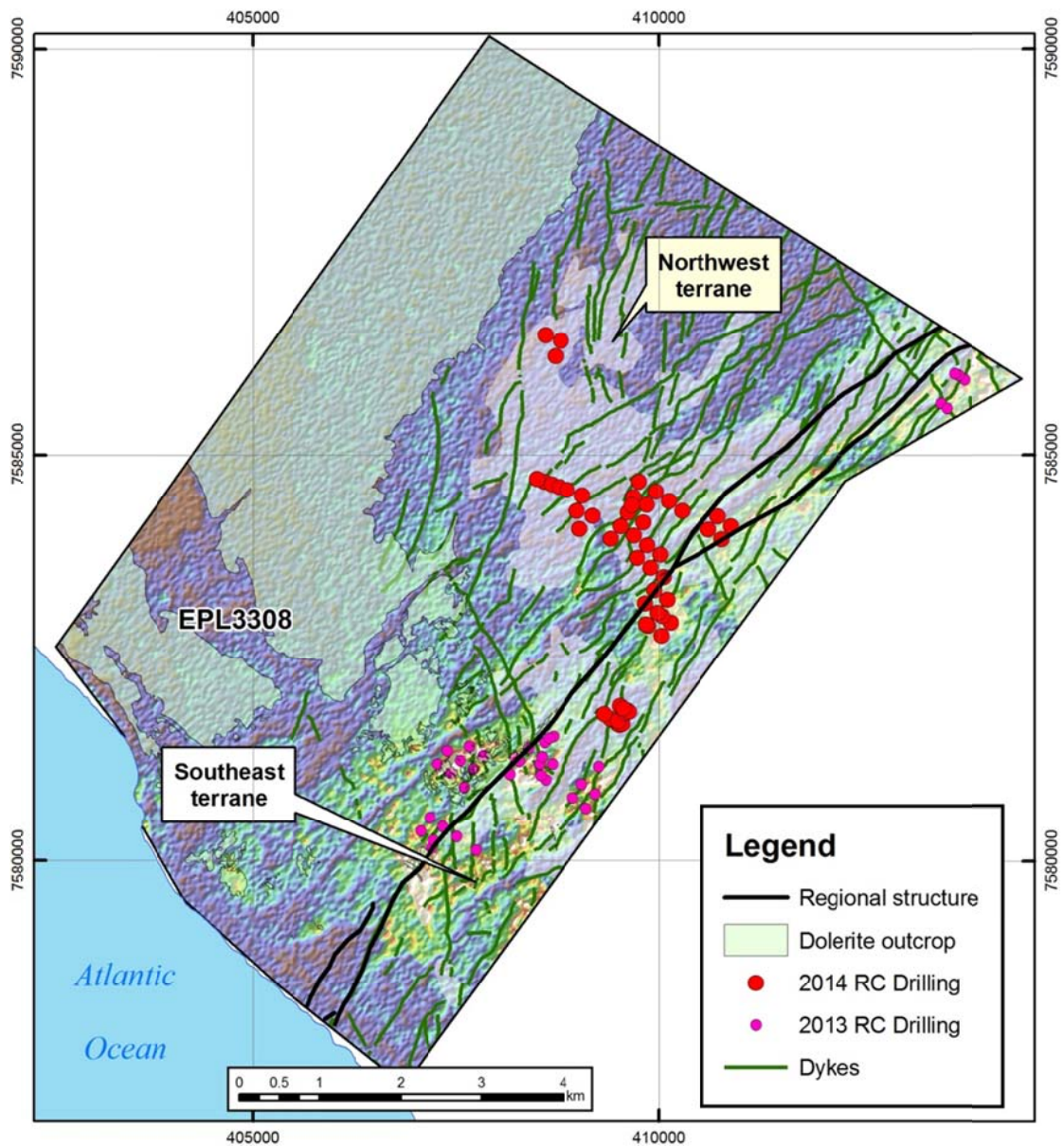


Figure 2 - Location of deeper RC drilling at Mile 72. Drilling has intercepted alaskite-hosted uranium mineralisation in several drillholes in the Southeast terrane, defining a series of uranium trends up to 2km long. The drilling in the Northwest terrane defined a large area underlain by schist

RADON CUP ANOMALIES TESTED

The drill program completed during the quarter was designed to test a number of targets located under sand cover as well as others identified by radon cup anomalism. The first 18 holes of the most recent program tested the extensions of previous uranium trends identified in the November 2013 drilling program, such as the results at MSRC0031, which identified mineralisation under sand cover. The presence of multiple, narrow uranium-enriched horizons within a sequence of schist-granite-pegmatite/alaskite is confirmed by the drilling around MSRC0031, and includes the results from MSRC0037 and MSRC0046. These uranium-mineralised zones represent an ongoing opportunity for the southeast of the project to host significant primary and/or secondary uranium mineralisation.

Of the recent program, 35 holes targeted highly anomalous radon cup highs located in a radiometrically barren region in the centre and Northwest of the licence. Localised anomalous radon cup anomalism was seen to be potentially representative of buried primary or secondary uranium mineralisation. The drilling found this not to be the case, with the central and Northwest areas being underlain by pelitic schist with sporadic pegmatites (barren) and underlain by deeper granite bodies (also barren). The schist-granite-pegmatite/alaskite geological terrane of the Southeast is in stark contrast to the schist dominated Northwest, separated by a major geological structure (See Figure 2).

The drill program was terminated early when it became evident that all of the Northwestern subsurface targets were barren of uranium mineralisation. Exploration will re-focus on the southeast terrane where previous drilling has been successful at identifying both near surface and buried zones over significant distances.

In addition, the identification of mineralised calcrete palaeochannels in the Southeastern terrane opens up further opportunities for preserved secondary uranium mineralisation at Mile 72.

FURTHER EXPLORATION IN THE SOUTHEAST TERRANE

This most recent drilling, while sterilising a significant portion of the project area, allows future exploration to focus on the most prospective areas and possible trap zones in the Southeastern terrane. As well as primary Rossing-style uranium mineralisation, this program has confirmed the presence of calcrete-hosted uranium at Mile 72.

During the September quarter, the Company will review the results of all past exploration, focusing in on the Southeastern terrane. Future programs will be designed and costed to test the area comprehensively to ensure any trap sites are located.

The presence of locally sourced uranium mineralisation at Mile 72 is now known to be derived from numerous strike-extensive alaskite/pegmatite zones in the Southeastern part of the licence and allows exploration to focus more tightly on the identification of potentially economic mineralisation in that area.

BASE METAL PROJECTS, WESTERN AUSTRALIA

Metals Australia holds an interest in two base metals projects in Western Australia (Figure 3).

The Manindi zinc project is located around 500 km northeast of Perth and is being explored by Metals with a view to expanding the existing resources and examining the project's copper potential.

The Sherlock Bay base metal joint venture project is located in the Pilbara region and is being managed and explored by Australasian Resources Ltd (ARH). The project surrounds ARH's Sherlock Bay nickel deposit.

MANINDI ZINC PROJECT

The Manindi Project is a significant unmined zinc deposit located in the Murchison District of Western Australia, 20 km southwest of the defunct Youanmi gold mine. The project is located on three granted mining licences

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

Since the deposits were discovered, a large body of work has been conducted, including geochemistry, geophysics, detailed geological mapping, extensive drilling, wireframe modelling, resource modelling and metallurgical test work. The project has been drilled in 8 separate drill programs since 1971, with 389 holes having been completed. These include 103 diamond drillholes, 105 RC drillholes, 169 RAB drillholes and 12 percussion holes (see Figure 4). During these programs, broad zones of mineralisation were intercepted which contained high grades in excess of 20% zinc, in places containing up to 50% zinc. To date, 4 major ore zones over 2.5km of strike have been defined, with an additional 5km of strike largely untested by deeper drilling. A number of VTEM electromagnetic targets also remain untested (See Figure 5).



Figure 3 - Location of the Western Australian base metals projects.

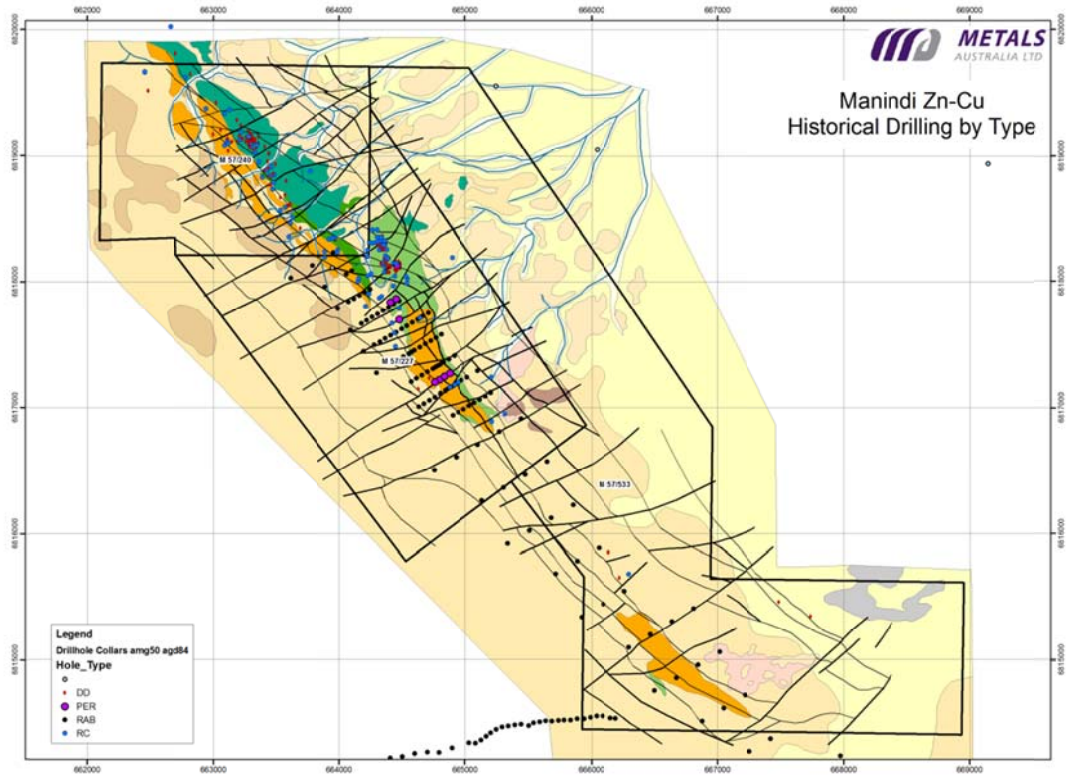


Figure 4 - Drilling over mapped geology and structure at Manindi, Western Australia

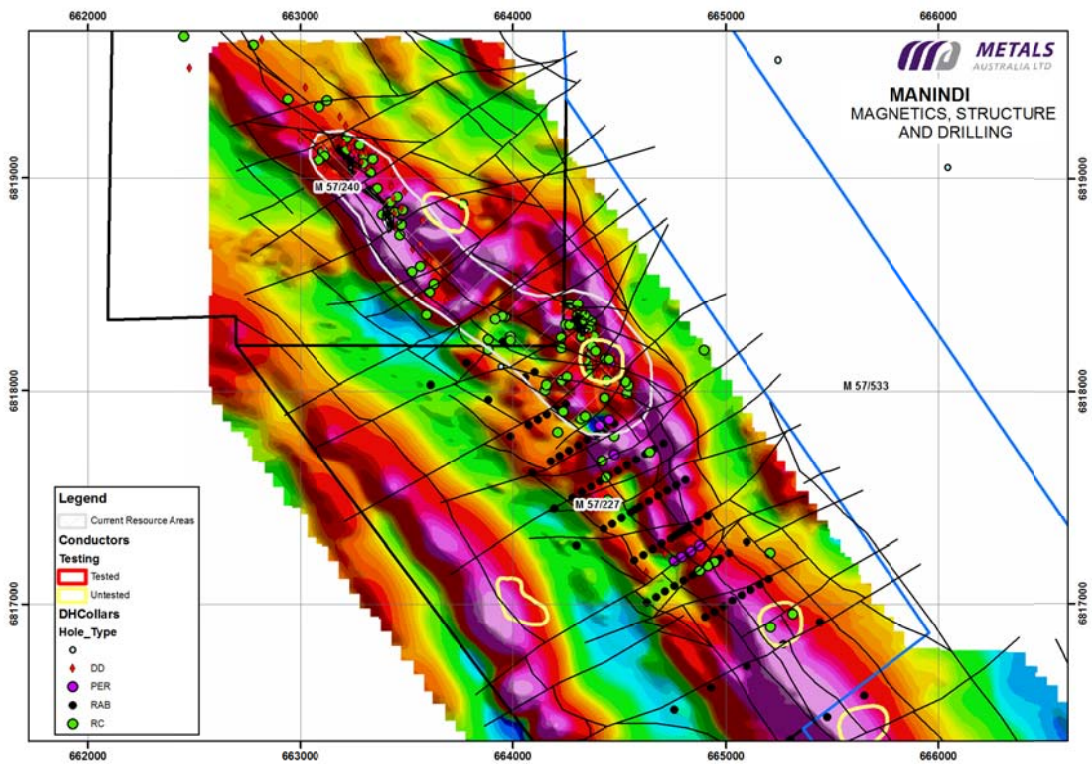


Figure 5 - Magnetic and structure, showing northern resource target area and untested VTEM targets, at Manindi, Western Australia

Metals has embarked on a strategic review of Manindi in the light of improving supply and demand fundamentals for zinc and hence improved potential economics for the project. The LME price for the metal has increased from US\$2,081/t on 2 January 2014 to US\$2,371/t in July 23, 2014 (source: cash buyer, lme.co.uk).

The objectives of the review are as follows:

- the re-interpretation of the historical drilling to determine the key controls on mineralisation;
- the generation of a JORC 2012 compliant mineral resource estimate for Manindi;
- refinement of exploration targets, specifically those with the potential to add significantly to the resource inventory;
- to revise pit optimisations and review any underground potential of the project.

REVIEW WORK UNDERWAY

During the quarter, the Company continued its review of the drilling data and resource models at Manindi with a view to the recalculation of existing resources, identification of new exploration targets and a review of project economics. The review is ongoing, and work will be increased during the coming quarter

The following activities were undertaken during the quarter:

- The drillhole database of 389 drillholes was audited and data re-loaded into the corporate geological database (SQL Datashed). This process will result in a full database audit, including the addition of geological and QA/QC information for the 8 phases of drilling on the project. The focus of the database work is to improve the drill quality information for use in the resource modelling process. Missing data will be added to the dataset from historical logs.
- A new wireframe interpretation was reviewed and new drill sections created for interpretation. This included a review of cut-off grades, with mineralised envelopes constructed at a range of cut-off grades. Mineralisation appears to be hosted in multiple domains within the mineralised material, with exceptional high grade zinc zones encased within many of the domains.
- Additional resource drilling targets have been identified adjacent to existing mineralisation. These follow from new interpretations of the major zinc lodes. Also, the seven untested geophysical anomalies adjacent to the known mineralisation at Manindi constitute attractive new drill targets for zinc-copper and copper-nickel mineralisation.

Recent discoveries of copper-rich VMS deposits such as Sandfire's Doolgunna Project and Cu-Ni deposits such as Sirius's Nova deposit have been found utilising geophysical techniques similar to those used at Manindi. Manindi is located within a known mineralised terrane with significant upside potential for further base metals discovery.

PLANNED ACTIVITIES AND FURTHER EXPLORATION

During the coming quarter, the company expects to re-release historic drilling results as part of the review process for the project which will include supporting information as required

under the JORC Code (2012). These results will then form part of the JORC 2012 resource update and exploration plans for the project which will follow.

The identification of new drill targets is a planned outcome of the review. The intention is to generate a significant resource base at Manindi, able to support a future mining operation.

SHERLOCK BAY EXTENDED BASE METAL PROJECT

The Sherlock Bay Extended project is composed of two Exploration Licences (E47/1769 and E47/1770), which surround the main Sherlock Bay nickel deposit (wholly owned by Australasian Resources Ltd - 'ARH'). The project is prospective for nickel, copper, silver and gold mineralisation (Figure 5).

The project is a joint venture between ARH (70% interest) and Metals (30% interest). ARH are the managers of the project, with Metals being 'free-carried' through to the completion of a bankable feasibility study and the decision to commence commercial mining.

During the quarter, the joint venture partner informed Metals that it had not met expenditure requirements on the licences and had lodged an exemption from expenditure application with the Mines Department. This application was initially rejected and the joint venture partner has subsequently lodged documentation with the Minister of Mines to have the extension granted. ARH has informed Metals that a work program to meet expenditure for the 2014 period has been lodged and will be carried out to keep the licences in good standing.

Planning commenced during the quarter with contract geological staff and laboratory services to conduct a vegetation and soil sampling program on the company's Sherlock Bay tenements. Samples will be taken from areas identified as 'of interest' from previous programs in an effort to identify mineral anomalies.

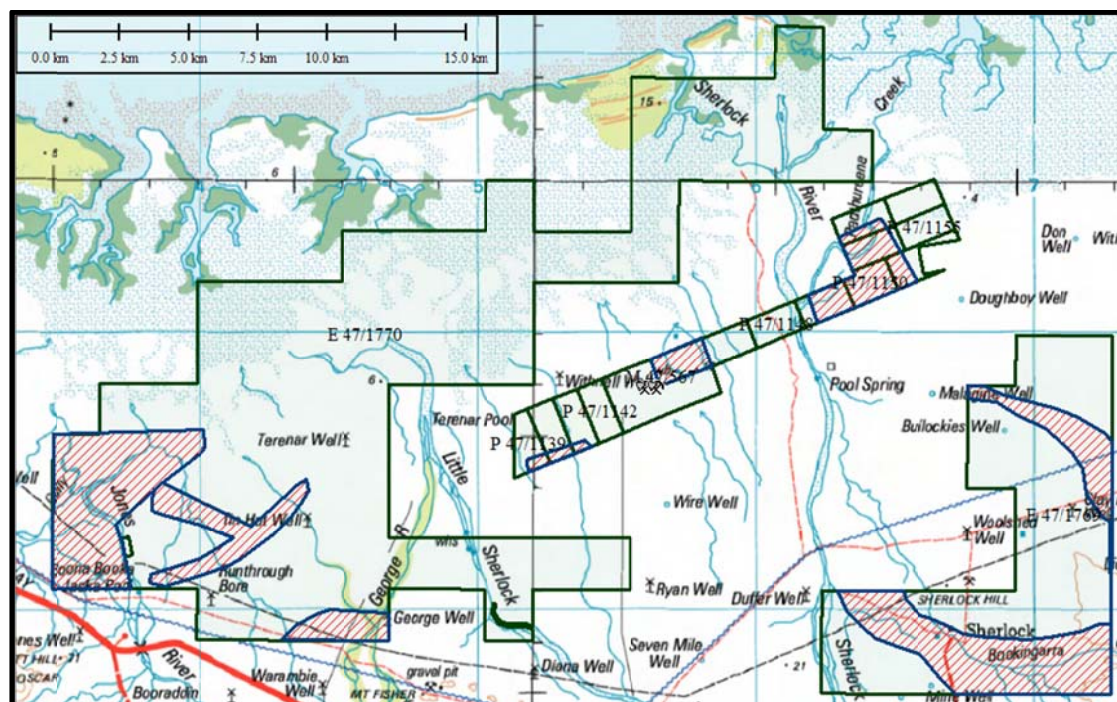


Figure 6 - Areas of exploratory interest set against 1:250,000 topography data

GOLD PROJECTS, VICTORIA

During the quarter, Metals decided it would relinquish the two low impact exploration licenses held in Western Victoria at St Arnaud South (EL5242) and Wedderburn (EL5243). The planned relinquishment is part of a strategy and cost review as the Company focuses its resources on its base metal and uranium assets. The documentation was sent through to the Victorian Department of Mines towards the end of the quarter, but the final relinquishment had not yet been processed by the 30 June 2014.

MINERAL AND EXPLORATION LICENCES

Country	State/Region	Project	Tenement ID	Area km ²	Grant Date	Expiry Date	Interest %	Company
Australia	WA	St Arnaud South	EL5242	90.1	18/09/2009	18/09/2014	100	Metals Australia Ltd
		Wedderburn	EL5243	70.4	18/09/2009	18/09/2014	100	
Namibia		Mile 72	EPL 3308	73	19/05/2005	17/5/2015	100	Metals Namibia (Pty) Ltd
Australia	WA	Manindi	M57/227	4.64	3/09/1992	2/09/2034	80	Karrilea Holdings Pty Ltd
			M57/240	3.15	10/11/1993	9/11/2014	80	
			M57/533	8.01	17/01/2008	16/01/2029	80	
Australia	WA	Sherlock Bay	E47/1769	76.7	7/09/2009	6/09/2014	30	Metals Australia Ltd
			E47/1770	223	7/09/2009	6/09/2014	30	

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Competent Person Declaration

The information in this release relating to the geology and exploration results of the projects owned by Metals Australia Ltd is based on information compiled by Dr Matthew Painter, who is a consultant to Metals Australia. Dr Painter is a member of The Australian Institute of Geoscientists, a Recognised Professional Organisation by the Australasian Joint Ore Reserves Committee, and has sufficient experience relevant to the style of mineralisation and types of deposits under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results. Dr Painter consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Forward-Looking Statements

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Metals Australia Ltd's planned exploration programme and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may", "potential," "should," and similar expressions are forward-looking statements. Although Metals Australia Ltd believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.