

29 January 2010

**The Manager  
Company Announcements Office  
Australian Securities Exchange  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000**

Dear Sir,

QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2009

## AUSTRALIAN PROJECTS

### 1. WESTERN AUSTRALIAN BASE METAL PROJECTS



Metals Australia Ltd ('Metals') currently holds an interest in two base metals projects in Western Australia.

The Manindi Zinc project is located in the Murchison District and is being explored by Metals with a view to expanding the existing resources. Work during the quarter has included a continued evaluation of the project to identify further exploration targets.

The Sherlock Bay Base Metal 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 and is currently being explored for both base and precious metals.

#### 1.1 MANINDI ZINC PROJECT - MURCHISON DISTRICT

The Manindi Zinc Project is located in the Murchison District of Western Australia, 20 kms southwest of the Youanmi mine site. The project comprises a series of volcanogenic massive sulphide zinc deposits. The geological environment shows similarities to those of other base metal sulphide deposits in the Yilgarn Craton of Western Australia such as the Golden Grove deposits located to the west of Manindi, at Yalgoo, and the Teutonic Bore-Jaguar deposits in the Eastern Goldfields.

Metals has previously delineated a JORC resource of:

1,354,129 tonnes @ 6.04% Zinc, 0.25% Copper, 3.4 gpt Silver & 0.25 gpt Gold

The resource is divided into the following categories (at a **1% Zinc** cut-off):

|                  |                                    |
|------------------|------------------------------------|
| <b>Measured</b>  | <b>497,171 tonnes @ 7.32% Zinc</b> |
| <b>Indicated</b> | <b>438,131 tonnes @ 6.38% Zinc</b> |
| <b>Inferred</b>  | <b>418,827 tonnes @ 4.14% Zinc</b> |

Metals is currently undertaking a detailed review of the project to identify further targets for exploration to expand the existing resource base, which may then allow the project to be developed.

## 1.2 SHERLOCK BAY EXTENDED BASE METAL PROJECT - PILBARA

The Sherlock Bay Extended project is composed of an Exploration Licence (E 47/1227) and two Exploration Licence Applications (ELA 47/1769 and ELA 47/1770), which cover an area of more than 470 km<sup>2</sup> and surround the main Sherlock Bay nickel deposit, which is wholly owned by Australasian Resources Ltd ('ARH'). The project is prospective for nickel, copper, silver and gold mineralisation.

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.

ARH are presently planning further programmes of sampling across the tenement to test a number of target areas.

## 2. VICTORIAN GOLD PROJECTS



Metals have applied for tenure over four **historical gold mining areas in the western Victoria**. The Company has been awarded priority on four exploration licence applications, with **two of those applications having now been granted, namely the Wedderburn and South Arnaud projects**. The applications are for low impact gold exploration over a number of historical gold mining areas that have not been adequately explored utilising modern exploration methods.

Government records show that over 450 gold prospects, mines and occurrences are documented within the four licence application areas, with a combined production from reef and vein gold deposits of over 59,000 ounces, at average grades **in excess of 16 gpt gold**. A similar amount of gold was also recovered, at lower grades, from alluvial deposits in the licence areas.

These gold fields were discovered in the Victorian Gold Rush of the mid-1800s, however significant underground gold mining ceased in these areas between 1910 and 1930. The Company believes that a significant opportunity exists in western Victoria, and **that historic mining has only exploited the upper portions of the extensive gold mineralising systems** throughout the region.

A detailed review of the geology, structure and historical exploration data is currently underway for the Wedderburn and South Arnaud projects. This study will be utilised to formulate the field exploration programme as work progresses on the projects. Metals has established a logistical base in Melbourne and sourced experienced personnel to assist with the field studies.

Metals looks forward to updating shareholders as remaining two leases, **Moyston and Scarsdale**, are granted and exploration advances in Victoria.

## AFRICAN PROJECTS

### 3. NAMIBIAN URANIUM PROJECTS



The Mile 72 & Enko Valley uranium projects have the potential to host near surface, pedogenic and syngenetic uranium deposits. Prior to Metals' involvement, the projects had little or no exploration undertaken on them in the past twenty years. Metals has focused on systematically exploring the Mile 72 uranium project.

Metals has held these licences since March 2006 and they fell due for renewal in May and June 2008. Metals lodged its applications to renew the licences in February and May 2008.

As previously reported, the vendor of the tenements lodged a court application against the Company, the Minister of Mines and Energy and the vendor's former partner who facilitated the tenement acquisition in 2005.

The Board of the Company and its lawyers had a number of concerns with the judgement made in the second half of 2009, and after seeking further legal advice, lodged an appeal against the judgement in the Namibian Supreme Court.

The Company's Namibian lawyers, Lorentz Angula Inc., have been in regular communication with the Registrar of the Supreme Court endeavouring to obtain a hearing date for the appeal. They have only now been advised that no dates will be allocated for the appeal until April 2010.

An appeal automatically suspends the operation of a judgement pending the outcome of the appeal and accordingly, the Minister of Mines and Energy is therefore prohibited from dealing with the Licences until the appeal proceedings are finalised. Mr Amakatuwa has nevertheless applied to the Court to execute the judgement pending the appeal.

According to the Company's lawyers, such applications are normally only lodged where there is a judgement for payment of a money sum. The Board is also advised that such orders are not often granted and are always coupled with an order that the party who seeks execution should provide security to restore the amount which is sought to be executed.

We have now also been advised that the vendor's application to have the tenements transferred back to him pending the outcome of the appeal is to be heard on 2 February 2010. The application will be vigorously opposed by the Company and Mr Jeremy Gauntlett SC, a senior South African Barrister who specialises in contractual and commercial matters, has been retained to represent the Company in opposing the application and in the conduct of the appeal generally.

Separately, in December 2009 the Company commenced proceedings against Mr Amakatuwa for defamation in relation to statements made by him regarding the Company. This action will proceed separately from the appeal in relation to the Exploration Prospecting Licences.

Further updates to shareholders will be provided as soon as the outcome of the application is known.

#### 4. PROJECT GENERATION

Metals has made a number of applications during the second half of 2009 for projects that are considered prospective for gold and uranium, in both Victoria and Western Australia.

Applications include an exploration license to the northeast of Menzies in the Eastern Goldfields of Western Australia that overlies a palaeochannel considered prospective for **calcrete-hosted uranium mineralisation**.

The applications in both Western Australia and Victoria are currently moving through the approvals process, with two of the Victorian leases having already been granted and shareholders will be further updated as the remaining projects move to grant.

Metals will continue to seek out and evaluate 'low-cost' exploration opportunities to further bolster the Company's project portfolio.

**Yours faithfully,**

**Norman Grafton  
Company Secretary  
Metals Australia Ltd**

**For further information please contact:**

Tim Putt – Exploration Manager

(08) 9481 7833

**Or consult our website:**

[www.metalsaustralia.com.au](http://www.metalsaustralia.com.au)

#### **Competent Persons Declaration**

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Timothy Putt of Exploration and Mining Information Systems, who is a member of The Australasian Institute of Geoscientists and the Society of Economic Geologists. Mr. Putt has sufficient experience that is relevant to the various styles of mineralisation and types of deposit under consideration, and to the activity that they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Timothy Putt consents to the inclusion in the 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.